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## Economic Impact Assessment

# NEIGHBORHOOD COMMERCIAL REZONING

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CITY AND COUNTY OF SAN FRANCISCO  
DEPARTMENT OF CITY PLANNING - JANUARY 1987





# TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY . . . . .	1
CHAPTER 1 -- INTRODUCTION . . . . .	5
Background. . . . .	5
Overall Role of Neighborhood Commercial Districts . . . . .	6
The Proposed Neighborhood Commercial Rezoning . . . . .	11
Methodology. . . . .	14
CHAPTER 2 -- CITYWIDE ASSESSMENT. . . . .	21
Master Plan Policies. . . . .	21
Zoning Framework and Permit Review Procedures . . . . .	21
Physical Development Estimates. . . . .	22
Commercial Rent Levels. . . . .	23
Multiple Outlet Businesses. . . . .	25
CHAPTER 3 -- DISTRICT ASSESSMENTS . . . . .	29
Inflation and Interest Rates. . . . .	29
Downtown Office Demand. . . . .	29
Organization of Assessment Reports. . . . .	30
NC-1--Neighborhood Commercial Cluster District. . . . .	31
NC-2--Small-Scale Neighborhood Commercial District. . . . .	40
NC-3--Moderate-Scale Neighborhood Commercial District . . . . .	50
NC-S--Neighborhood Commercial Shopping Center District. . . . .	64
Broadway Neighborhood Commercial Shopping Center District . . . . .	72
Castro Street Neighborhood Commercial Shopping Center District. . . . .	83
Inner Clement Street Neighborhood Commercial Shopping Center District . . . . .	92
Outer Clement Street Neighborhood Commercial Shopping Center District . . . . .	103
Upper Fillmore Street Neighborhood Commercial Shopping Center District. . . . .	113
Haight Street Neighborhood Commercial Shopping Center District. . . . .	123
Hayes-Gough Neighborhood Commercial Shopping Center District. . . . .	134
Upper Market Street Neighborhood Commercial Shopping Center District. . . . .	143
North Beach Neighborhood Commercial Shopping Center District. . . . .	153
Polk Street Neighborhood Commercial Shopping Center District. . . . .	165
Sacramento Street Neighborhood Commercial Shopping Center District. . . . .	175
Union Street Neighborhood Commercial Shopping Center District . . . . .	186
Valencia Street Neighborhood Commercial Shopping Center District. . . . .	198
24th Street-Mission Neighborhood Commercial Shopping Center District. . . . .	210
24th Street-Noe Valley Neighborhood Commercial Shopping Center District . . . . .	221
West Portal Avenue Neighborhood Commercial Shopping Center District . . . . .	231
APPENDIX. . . . .	243
Survey Questionnaire Forms. . . . .	243



# TABLES

	<u>Page</u>
1. 1985 Retail Sales, San Francisco. . . . .	6
2. Distribution of Retail Activities Within San Francisco. . . . .	7
3. Shares of Citywide Retail Activity Outside Downtown 1972, 1977, and 1982 . . . . .	8
4. Average Asking Rents for Ground-Story Retail, 1986. . . . .	23
5. NC-1 Zoning Controls. . . . .	35
6. Estimates of 10-Year Development Potential, NC-1 (Hyde-Union Streets) . . . . .	36
7. NC-2 Zoning Controls. . . . .	45
8. Estimates of 10-Year Development Potential, NC-2 (Chestnut Street). . . . .	47
9. NC-3 Zoning Controls. . . . .	58
10. Estimates of 10-Year Development Potential, NC-3 (Geary Boulevard, Lyon to Wood Streets) . . . . .	59
11. Estimates of 10-Year Development Potential, NC-3 (Geary Boulevard, 4th to 10th Avenues). . . . .	60
12. Estimates of 10-Year Development Potential, NC-3 (Geary Boulevard, 16th to 26th Avenues) . . . . .	61
13. NC-S Zoning Controls. . . . .	68
14. Estimates of 10-Year Development Potential, NC-S (Laurel Village) .	69
15. Broadway Neighborhood Commercial District Controls. . . . .	78
16. Estimates of 10-Year Development Potential, Broadway. . . . .	80
17. Castro Street Neighborhood Commercial District Controls . . . . .	87
18. Estimates of 10-Year Development Potential, Castro Street . . . . .	89
19. Inner Clement Street Neighborhood Commercial District Controls. . .	98
20. Estimates of 10-Year Development Potential, Inner Clement Street. .	100
21. Outer Clement Street Neighborhood Commercial District Controls. . .	108
22. Estimates of 10-Year Development Potential, Outer Clement Street. .	110
23. Upper Fillmore Neighborhood Commercial District Controls. . . . .	118
24. Estimates of 10-Year Development Potential, Upper Fillmore Street .	120
25. Haight Street Neighborhood Commercial District Controls . . . . .	128
26. Estimates of 10-Year Development Potential, Haight Street . . . . .	130
27. Hayes-Gough Neighborhood Commercial District Controls . . . . .	138
28. Estimates of 10-Year Development Potential, Hayes-Gough . . . . .	140
29. Upper Market Street Neighborhood Commercial District Controls . . .	148
30. Estimates of 10-Year Development Potential, Upper Market Street . .	150
31. North Beach Neighborhood Commercial District Controls . . . . .	159
32. Estimates of 10-Year Development Potential, North Beach . . . . .	162
33. Polk Street Neighborhood Commercial District Controls . . . . .	170
34. Estimates of 10-Year Development Potential, Polk Street . . . . .	173
35. Sacramento Street Neighborhood Commercial District Controls . . . .	180
36. Estimates of 10-Year Development Potential, Sacramento Street . . .	183
37. Union Street Neighborhood Commercial District Controls. . . . .	192
38. Estimates of 10-Year Development Potential, Union Street. . . . .	195
39. Valencia Street Neighborhood Commercial District Controls . . . . .	205
40. Estimates of 10-Year Development Potential, Valencia Street . . . .	207
41. 24th Street-Mission Neighborhood Commercial District Controls . . .	216
42. Estimates of 10-Year Development Potential, 24th Street-Mission . .	218
43. 24th Street-Noe Valley Neighborhood Commercial District Controls. .	226
44. Estimates of 10-Year Development Potential, 24th Street-Noe Valley.	228
45. West Portal Avenue Neighborhood Commercial District Controls. . . .	237
46. Estimates of 10-Year Development Potential, West Portal Avenue. . .	239



# MAPS

	<u>Page</u>
1. NC-1--(Hyde-Union Streets). . . . .	32
2. NC-2--(Chestnut Street) . . . . .	41
3. NC-3--(Geary Boulevard, Lyon-Wood Streets). . . . .	51
4. NC-3--(Geary Boulevard, 4th-10th Avenues) . . . . .	52
5. NC-3--(Geary Boulevard, 16th-26th Avenues). . . . .	53
6. NC-S--(Laurel Village). . . . .	65
7. Broadway Neighborhood Commercial District . . . . .	73
8. Castro Street Neighborhood Commercial District. . . . .	84
9. Inner Clement Street Neighborhood Commercial District . . . . .	94
10. Outer Clement Street Neighborhood Commercial District . . . . .	104
11. Upper Fillmore Street Neighborhood Commercial District. . . . .	114
12. Haight Street Neighborhood Commercial District. . . . .	124
13. Hayes-Gough Neighborhood Commercial District. . . . .	135
14. Upper Market Neighborhood Commercial District . . . . .	144
15. North Beach Neighborhood Commercial District. . . . .	154
16. Polk Street Neighborhood Commercial District. . . . .	166
17. Sacramento Street Neighborhood Commercial District. . . . .	176
18. Union Street Neighborhood Commercial District . . . . .	188
19. Valencia Street Neighborhood Commercial District (14th-20th Streets)	200
20. Valencia Street Neighborhood Commercial District (20th-Army Streets)	202
21. 24th Street-Mission Neighborhood Commercial District. . . . .	212
22. 24th Street-Noe Valley Neighborhood Commercial District. . . . .	222
23. West Portal Avenue Neighborhood Commercial District . . . . .	232









# EXECUTIVE SUMMARY

## INTRODUCTION

The purpose of the economic analysis in this study is to identify the possible differences in neighborhood commercial district activity because of rezoning. Economic impacts arise because of the differences in economic outcomes attributable to the changes in zoning. Economic changes in neighborhood commercial districts which also would occur under existing zoning are not impacts of the rezoning.

There are two perspectives for considering potential economic impacts. One is the perspective of the neighborhood commercial district directly affected by changes in zoning. A second perspective is that of citywide shifts in commercial activity among districts and in a different overall pattern or level of citywide commercial activity.

Once identified, economic impacts can be described in terms of how different interests in the community would be affected. These interests include consumers, merchants, property owners, labor force members, neighborhood residents, residents citywide, and government agencies. Within these groups there can be differences in effects such as between existing merchants and new merchants, merchants of different types (restauranters, booksellers, realtors), property owners and renters, or neighborhood residents and other citywide residents. When examined from each of these different perspectives, an economic impact often can be viewed as beneficial by some interests in the community and as undesirable by others.

## METHODOLOGY

There are a numerous neighborhood commercial districts in San Francisco and, to a certain extent, each is unique and serves a different function. Yet, there also is a relationship between commercial districts, in that changes in one district can affect activity in other districts. The result is a highly complex, dynamic system of providing goods and services to the city's residents and to other consumers.

Because of these complexities, it is not possible to generalize about all commercial districts nor to quantitatively describe and accurately model commercial activity for all of these areas. Instead, a more workable approach is to draw from an understanding of how commercial districts develop and function, and by utilizing this understanding, describe qualitatively how and why certain types of impacts could occur as a result of the changes embodied in the proposed rezoning.



## THE DISTRICTS

This study addresses the question of how the neighborhood commercial rezoning controls are likely to impact the business climate and economic vitality of neighborhood commercial districts. To answer this question, the study looked at 20 of the city's neighborhood commercial districts and explored changes in land use and rents which could be expected to occur in each as a result of the imposition of the proposed controls.

The districts used in this study include one representative example of each of the proposed four general neighborhood commercial district categories:

Hyde-Union for NC-1 (Neighborhood Commercial Cluster Districts)  
Chestnut Street for NC-2 (Small-Scale Neighborhood Commercial Districts)  
Geary Boulevard for NC-3 (Moderate-Scale Neighborhood Commercial Districts)  
Laurel Village for NC-S (Neighborhood Commercial Shopping Center Districts)

Also selected for examination were each of the proposed 16 individually-zoned neighborhood commercial districts:

Broadway	Haight Street	Sacramento Street
Castro Street	Hayes-Gough	Union Street
Inner Clement Street	Upper Market Street	Valencia Street
Outer Clement Street	North Beach	24th Street-Mission
Upper Fillmore Street	Polk Street	24th Street-Noe Valley
		West Portal Avenue

## DATA AND METHODS OF ANALYSIS

The economic impact assessment methodology employed in this study utilizes two types of data: physical development estimates and community interviews and observations. The physical development estimates, are based on identification and analysis of sites in each district that are potentially developable over the next ten years. These estimates were based on the parameters of the existing and proposed zoning regulations. By comparing differences in physical development under these two different sets of parameters, inferences can be made about the supply of commercial and residential space in neighborhood commercial districts that is likely to result from the proposed zoning.

The other primary data source consists of more than 90 in-depth interviews conducted with merchants, realtors, commercial property owners, and residents in the 20 districts. These data provide a sampling of the perceptions and concerns of merchants and realtors about economic conditions in each district as well as their expectations about the future. As such, they add a qualitative dimension which complements the economic inferences drawn from the physical development estimates.

This study also employs an analysis of the market and land use structure of each district, including an examination of its unique physical and/or land use characteristics, proximity to other commercial areas, etc. This type of analysis is necessary in order to assess for each district the significance of the potential economic impacts identified through physical development estimates.



## CITYWIDE ASSESSMENT

Overall, the study reveals no significant adverse potential impacts of the proposed neighborhood commercial rezoning on the economy of the city as a whole.

The study shows that under the proposed zoning controls the city as a whole appears to have more commercial space and sites than are needed to accommodate current and projected levels of consumer demand in the short run. Predicting long-term trends is more difficult, but barring major unforeseen increases in population, the city also would appear to have adequate room for the expansion of neighborhood commercial activity over the long term.

Although the proposed zoning aggressively restricts some additional commercial uses, especially bars, restaurants, and offices, in the more robust districts it is unlikely that this public action will cause merchants and investors to start businesses in districts in other distant parts of the city where the controls are less restrictive. Commercial activity is largely a product of location-specific demand. Those districts in the city which have experienced rapid growth also have enjoyed proximity to large market areas such as downtown, a substantial increase in the income level of the adjacent residential population, or unique architectural and physical setting. Although the controls are more restrictive in most of the neighborhood commercial districts which enjoy such locational advantage, it is not likely that the controls will cause a dramatic re-distribution of commercial activity throughout the city as a whole. Nevertheless, some shifts among closely spaced districts may occur such as between Union and Lombard or Clement and Geary.

The primary effect of the proposed zoning in most districts will be to conform the size of new buildings to the scale of existing development, reduce new growth in eating and drinking establishments and office space, and generate more housing. Curtailment of additional eating and drinking business could have mixed economic impacts depending on the various actors involved. Rents for existing restaurants may rise, resulting in positive economic effects for some small businessmen, namely property owners, landlords, realtors and rental agents, and conversely creating negative economic impacts for existing and prospective restaurateurs and their customers. At the same time, the restrictions will reduce incentives for conversion to restaurants of space presently occupied by other businesses, thus generating opposite effects for those properties.

The controls also will help to limit over-competition and attendant problems such as traffic congestion, parking shortages, littering, etc., which have resulted in the absence of market regulation. On the other hand, the controls will likely result in better balance in the types of goods and services available to consumers in all the city's neighborhood commercial districts.

Curtailment of growth in upper story office space under the proposed zoning would tend to increase rents for offices in districts where the demand for upper story offices is strong. These rent increases are a necessary social cost of conserving existing housing resources and maintaining the multi-use character of the districts. In general the proposed controls will likely strengthen the neighborhood-serving functions of the neighborhood commercial districts.



## DISTRICT ASSESSMENTS

The main focus of this study is directed to evaluating economic impacts potentially resulting from the proposed rezoning in 20 neighborhood commercial districts. Each district evaluated has unique locational and physical characteristics, different market structures, and different zoning controls. Therefore, the economic analyses vary considerably from district to district and cannot be summarized succinctly in an executive summary. The reader is encouraged to review Chapter 3 for discussions of districts of particular concern. Each district assessment includes sections describing neighborhood and market characteristics, observations on current trends, differences between existing and proposed zoning, analysis of potential economic impacts, and a concluding assessment.





# INTRODUCTION

## INTRODUCTION

The purpose of this study is to assess potential economic impacts of the proposed Neighborhood Commercial Rezoning for the City and County of San Francisco. The study is organized into three chapters. This first chapter provides background information on the neighborhood commercial districts, a discussion of their overall role in the San Francisco economy, a summary of the proposed rezoning, and a description of the methodology employed in this study.

The second chapter examines citywide economic issues and includes discussions on master plan policies, zoning framework and review procedures, physical development estimates, commercial rent levels, and multiple-outlet businesses. The third chapter presents detailed analyses and assessments of the 20 neighborhood commercial districts covered in this study.

## BACKGROUND

The proposed Neighborhood Commercial Rezoning provides a comprehensive yet individualized approach for regulating physical development and land use in approximately 210 neighborhood commercial areas in the city. Adopted on an interim basis in March 1985, after a series of public hearings by the City Planning Commission, the new controls create four general zoning districts to cover most of these areas and sixteen individually zoned districts to address the unique characteristics of more active neighborhood commercial areas.

The rezoning has been proposed in response to over a decade of public concern in the neighborhoods from residents and merchants, regarding changes occurring in their commercial areas. One general concern is that many of these areas are losing their neighborhood character due to proliferation of new restaurants, bars, fast food outlets, financial branches, and other uses, many of which cater to a larger citywide market and many of which have displaced housing as well as small neighborhood-serving establishments such as shoe repair shops and independent drug stores. There also is concern about the impact of commercial activity on surrounding residential areas through such problems as traffic congestion, parking shortages, littering, night-time noise and loitering. The proposed rezoning seeks to eliminate or minimize these ill effects of commercial growth through a set of controls specific to each newly established Neighborhood Commercial (NC) District that governs such things as General Building Standards, Commercial and Institutional Standards and Uses, and Residential Standards and Uses.



While there is general agreement about the need for the proposed controls, there also is much concern regarding the impacts they may have on economic vitality in the neighborhood commercial areas. This concern essentially deals with the restrictiveness of the proposed controls: Are the proposed controls unduly restrictive on business activity? Will they depress the volume of sales activity in neighborhood commercial areas and thereby limit the ability of local merchants to earn a profit and stay in business? Will they retard economic growth by prohibiting new investment opportunities? Will they contribute to higher rents and as a consequence higher consumer prices by creating a shortage of available commercial space? These questions are illustrative of the general concern regarding the potential economic impacts of the proposed Neighborhood Commercial Rezoning which this report seeks to address.

## OVERALL ROLE OF NEIGHBORHOOD COMMERCIAL DISTRICTS

### Relationship between Neighborhood Commercial Districts and the Downtown Commercial Area

In 1985 total retail sales in San Francisco approximated \$4.8 billion as shown in Table 1. Of this total, at least \$3 billion in sales occurred in the approximately 210 neighborhood districts scattered throughout the city. As a whole, these districts play a very large role in the San Francisco economy. According to data from the 1982 census of Retail Trade, U.S. Department of Commerce, shown in Table 2, the neighborhood commercial districts contain most of the retail establishments, retail sales, and retail employees in San Francisco. Over 75% of the city's retail outlets, over 70% of its retail sales, and over 70% of its retail employees are located in neighborhood commercial districts.

TABLE 1  
RETAIL SALES, SAN FRANCISCO  
PER CAPITA SALES, SAN FRANCISCO AND CALIFORNIA  
1985

TYPE OF BUSINESS	TOTAL SALES San Francisco (thousands)	PER CAPITA RETAIL SALES San Francisco (thousands)	California (thousands)
Apparel	\$ 423,575	\$ 572	\$ 241
General Merchandise	460,583	622	690
Drug	164,308	221	210
Specialty	938,547	1,267	593
Food and Liquor	971,148	1,310	1,636
Eating and Drinking	911,088	1,230	653
Auto & Service Stations	580,091	783	1,591
All Other	386,601	522	694
<b>TOTAL RETAIL</b>	<b>\$ 4,835,941</b>	<b>\$ 6,527</b>	<b>\$ 6,308</b>

Source: California State Board of Equalization, 1985



TABLE 2  
DISTRIBUTION OF RETAIL ACTIVITIES WITHIN SAN FRANCISCO  
1982

TYPE OF BUSINESS	PERCENTAGE OF CITYWIDE RETAIL ACTIVITY			Total
	Downtown	Stonestown	Neighborhoods	
ALL RETAIL STORES				
Number	20.4	0.8	78.8	100
Sales	24.2	2.9*	72.9	100
Employees	26.1	2.7	71.2	100
CONVENIENCE GOODS				
Number	20.8	0.4	78.8	100
Sales	15.5	1.0	83.5	100
SHOPPER GOODS				
Number	30.2	2.7	67.1	100
Sales	48.1	5.8	46.1	100

\* Estimate by Recht Hausrath Associates

Source: U.S. Department of Commerce, Census of Retail Trade, 1982

This large concentration of commercial activity in the neighborhoods tends to complement commercial activity in the Downtown area. Commercial activity in the neighborhoods is primarily geared toward serving the markets of the immediately surrounding residential areas, while that in Downtown is primarily geared toward serving citywide, regional, and tourist markets. For example, as shown in Table 2, over 76% of the city's convenience stores providing basic household consumption needs, and over 80% of convenience store sales occur in the neighborhood districts. Although Downtown has only 30% of the city's total number of shopper goods stores, these stores account for 50% of all sales of shopper goods in the city. Shopper goods stores primarily offer apparel, general merchandise and specialty items. They are distinguished from convenience goods stores in that they provide for more selective comparison purchases.

According to data analyzed by Recht Hausrath Associates on retail sales trends in San Francisco from 1970 to 1977, overall retail activity has grown at an annual inflation-adjusted rate of 4.5% with both the neighborhoods and Downtown participating in this growth. As Table 3 indicates, during the 1970-77 period, retail business in the neighborhoods grew at about the same rate as Downtown retail and the neighborhoods' share of sales, employment and number of establishments as a percentage of citywide totals remained relatively stable. But from 1977 to 1982, the neighborhoods' share of sales volume and employment increased.



TABLE 3

SHARES OF CITYWIDE RETAIL ACTIVITY OUTSIDE DOWNTOWN  
1972, 1977, and 1982

	<u>SALES</u>			<u>EMPLOYMENT</u>			<u>NUMBER OF ESTABLISHMENTS</u>		
	<u>1972</u>	<u>1977</u>	<u>1982</u>	<u>1972</u>	<u>1977</u>	<u>1982</u>	<u>1972</u>	<u>1977</u>	<u>1982</u>
TOTAL PERCENT OF RETAIL OUT- SIDE DOWNTOWN	71.9	70.4	75.8	65.0	65.8	73.9	76.9	76.2	78.9

Source: U.S. Department of Commerce, Census of Retail Trade;  
1972, 1977, and 1982.

The figures for 'Retail Activity Outside Downtown' however, include several large retail areas, such as Fisherman's Wharf, Chinatown, and parts of South of Market, that are not a part of the neighborhood commercial districts. Nonetheless, these numbers give some indication of the relative stability in the relationship between commercial activity in the neighborhoods and that in the Downtown area as well as an indication of the robustness of the neighborhood commercial economies in the late seventies.

The primary underlying trend over the past 15 years is that both the neighborhood commercial districts and Downtown are building on their respective markets, the districts on their more neighborhood-oriented markets and Downtown on its more citywide and regional markets. Most large neighborhood commercial districts also serve larger citywide markets. Some, such as Chinatown, Fisherman's Wharf, North Beach, and Union Street, also serve sizable tourist markets. Nonetheless, the primary markets of most districts outside Downtown tend to be more neighborhood in scale. As retail business in the city has grown, the complementary relationship between the districts and Downtown has remained relatively stable with the districts continuing to serve their predominantly neighborhood markets and Downtown continuing to serve its larger citywide and regional markets.

### Economic Activity in Neighborhood Districts

Because published economic data for the neighborhood commercial districts as separate geographic entities does not exist, it is necessary to examine data for the city as a whole to get at some of the specific economic trends among the districts that have given rise to the proposed neighborhood commercial rezoning. Relative to the rest of California's economy, San Francisco's economy shows some unique characteristics that are strongly reflected in the



economies of the neighborhood commercial districts. Analysis of per capita retail sales data on San Francisco and California as a whole shows that San Francisco tends to be very different from the rest of the state in certain consumer preferences and shopping patterns. People in San Francisco tend to eat away from home and patronize small apparel and specialty shops much more frequently than people in the rest of the state. As Table 1 indicates, sales activity related to eating and drinking away from home is twice as high in San Francisco as in the state as a whole, that related to apparel shopping more than twice as high, and that related to specialty shopping almost three times as high. On the other hand, sales related to food and liquor purchases for eating and drinking at home are lower in San Francisco than in the rest of the state as are purchases in large-scale general merchandising and clothing stores. Hence, spending patterns in San Francisco are clearly skewed toward the restaurants, small-scale boutiques, apparel shops, and specialty outlets that have sprouted up in many neighborhood commercial districts over the past 10 years.

Recht Hausrath Associates in its report on the Neighborhood Commercial Rezoning (February 1983) cites two major factors behind these retail trends in San Francisco: (1) changing demographic and income characteristics of the city's resident population and (2) spending in San Francisco by people who live outside the city. Both of these factors are prominent at the neighborhood commercial district level.

In virtually all of the more active neighborhood commercial districts, the number of single-person and two-person households without children has increased. Higher amounts of disposable income, coupled with singles-oriented lifestyles have stimulated and supported growth in restaurants, bars, small-scale boutiques, and specialty shops.

Spending by non-residents also is important. The primary non-resident markets in San Francisco are tourists and Bay Area residents who live outside San Francisco but who come to the city to work and to shop or for entertainment. These markets are primarily served by the Downtown area, tourist centers such as Fisherman's Wharf, Chinatown and Embarcadero Center, as well as by some active neighborhood commercial districts such as Broadway and North Beach. This non-resident demand for commercial services also is served in varying degrees by other neighborhood commercial districts, such as Union and Polk Street. These districts, although geographically removed from Downtown and from the major tourist centers have capitalized on citywide appeal. By and large, they have taken advantage of the highly mobile shopping patterns among young consumers who will travel long distances within San Francisco or from other parts of the Bay Area to San Francisco for shopping and entertainment. Various neighborhood commercial districts also benefit from non-resident retail demand through large employers located near their boundaries. Such is the case with Upper Fillmore, Inner Clement Street, and Sacramento Street. These districts are located near one or more large-scale hospitals or medical facilities, whose employees patronize the commercial establishments along these streets. While the volume of this citywide patronage may not constitute more than 5-10% of total patronage in neighborhood commercial districts, it represents a far larger share of the recent growth in retail activity.



## Individual District Identity and Mixed-Use Nature of Neighborhood Commercial Districts

Aggregate statistics are useful for dramatizing the role of the neighborhood commercial districts in the San Francisco economy as a whole, but to get at issues of potential economic impact, it is necessary to look at the districts in the context of their neighborhood character. Because the neighborhood commercial districts are dispersed throughout all sections of the city, with each one serving its own primary market area of immediately surrounding residential neighborhoods, the impacts of rezoning, by definition, will tend to be localized. Within this context, the character of each district derives from its mix of commercial and other uses. Outside of the NC-S (Neighborhood Commercial Shopping Center District) areas, no neighborhood commercial district is purely commercial. In all of them, housing is an integral part of the overall land use and market structure. Many, in fact, have evolved over the decades from predominantly residential to predominantly commercial areas. Many long-time residents still living in these areas can recall this evolution. For example, a long-term resident of Sacramento Street recalls that in years past, "it was 90% residential with a few ancillary stores." Nevertheless, the part of Sacramento Street which has become densely commercial still has a large supply of housing, over 300 units, many of them in totally residential buildings alongside commercial buildings and many above ground-story retail.

At the same time, each district has a distinct physical and social identity which inspires a strong sense of personal attachment on the part of residents and merchants alike. Many merchants locate their business in a particular district because of this attachment regardless of more conventional market demand analyses. Sometimes such locational decisions result in business failures, but sometimes do not. One example is a merchant from the West Portal district who by her own statement and by all outward appearance runs a successful retail operation. She gives her reasons for locating her business on West Portal Avenue:

"I love the location and the street. I love the area and the people. I was in Burlingame at my brother-in-law's store for 3 years. That's where I learned the trade. He wanted me to stay on. But I like it here. I walked the neighborhood. I was determined to get in this area. There were other areas that I could have considered, but I love this area ... the people."

The mixed-use character of neighborhood commercial districts, coupled with the strong sense of identity that exists in most, makes an assessment of economic health in San Francisco neighborhood commercial areas extremely complex. On the one hand, to maintain economic vitality and vibrance and to prevent economic and physical decline, a neighborhood commercial area generally has to serve two markets: a primary market of surrounding residential neighborhoods as well as some portion of non-resident demand. Very few neighborhood commercial districts could survive economically by confining their market exclusively to surrounding residential areas. Non-resident shopping itself is a source of economic vitality. Yet on the other hand, each district also has to be environmentally habitable.



Analyzing issues that arise in these areas generally involves conflicts between the very mix of commercial and residential uses which is unique to the city's neighborhood shopping districts. For example, development of a new office building in a particular district may increase foot traffic on a given street and strengthen the market for other businesses. Yet side effects from the building, such as a height and scale that is out of conformity with adjacent buildings and auto traffic backing up onto residential streets where children play, may be perceived by residents as threatening to the 'family-orientation' of their neighborhood. Because of the delicate balance that exists among the variety of uses at any given location, San Franciscans are very sensitive to changes of this type. A marked shift in that balance has provoked strong reactions to such changes in a number of neighborhood commercial districts and underscored the need for a citywide rezoning of neighborhood commercial areas.

## THE PROPOSED NEIGHBORHOOD COMMERCIAL REZONING

### Project Background and History

Concerns about land use problems and changes in neighborhood commercial districts in San Francisco were first raised in 1978. The previous citywide study by the Department of City Planning on commercial rezoning had been done in 1960. Since that time, many changes had taken place. Residents and merchants, initially in the Union Street district and increasingly in other districts, were concerned about losing their neighborhood character in the face of rapid commercial change. The Board of Supervisors responded to these concerns by adopting a resolution calling for a zoning study and establishing a temporary moratorium on approval of permits for bars, restaurants, take-out foods and branch banks on Union Street. Subsequently, in 1979, special use district zoning controls replaced the moratorium on Union Street to supplement the 1960 permanent commercial zoning. Further work and review led to adoption of similar special use district controls for eleven other streets and moratoria on bars, fast food outlets, other restaurants, financial institutions and/or other uses in other locations. Out of this planning activity came the need to take a comprehensive approach to establish new permanent zoning controls for all neighborhood commercial districts that would give special attention to the unique needs of each district.

The first phase of the neighborhood commercial zoning study was completed in May 1984. At that time the Department published a Proposal for Citizen Review, which was revised and amplified in response to public comment and led to the Neighborhood Commercial Rezoning Proposal for Adoption, which was published in February 1985. The Proposal for Adoption was reviewed and considered at public hearings by the City Planning Commission, and adopted as interim zoning controls in March 1985. Further revisions since the adoption of interim controls have been incorporated into a Proposal for Permanent Adoption (November 1986). As required by California law, the proposal is accompanied by a Draft Environmental Impact Report.

## Project Description

The neighborhood commercial rezoning proposal contains changes to overall policies in the Master Plan for neighborhood commercial districts as well as amendments to the Planning Code text and Zoning Map which implement the Master Plan policies. The proposal applies to approximately 210 neighborhood commercial areas ranging from large active districts, such as North Beach and Mission Street, to small corner clusters of grocery and convenience stores.

The proposal establishes a new, comprehensive zoning system through a new Article 7 of the Planning Code. A distinctive aspect of the new system is its sensitivity to neighborhood districts with unique characteristics. It provides the ability to separately regulate a specific neighborhood commercial area or street with an individual zoning classification and a set of controls tailored and applicable only to that area or street or a sub-district overlay addressing one of two zoning categories. The new system is also sensitive to the multi-use character of the neighborhood commercial districts. The system is embodied in a table, a major feature of Article 7, which displays all controls either directly or by reference to other sections of the Code. The table contains about 50 specific control categories which apply to all districts. Although most of these categories are regulated under current zoning, some new types of controls reflecting sensitivity to multi-use characteristics are added, such as: lot size limits; use size limits; use controls by story; residential conversion to non-residential use; residential demolition; eating and drinking establishments -- bars, full service restaurants, small and large fast-food restaurants, take-out food uses; financial services; medical, personal and business or professional services; hours of operation; design of street frontage; awnings, canopies and marquees; outdoor activity area; and walk-up facility.

Four general zoning districts listed below are established and applied to most neighborhood commercial areas, currently zoned C-1, C-2, C-M, RC-1, RC-2 and RC-3:

- NC-1 - Neighborhood Commercial Cluster District
- NC-2 - Small-Scale Neighborhood Commercial District
- NC-3 - Moderate-Scale Neighborhood Commercial District
- NC-S - Neighborhood Commercial Shopping Center District

In addition, separate individual zoning districts are proposed for 16 neighborhood commercial locations, which have undergone careful evaluation. Permanent controls are tailored to the needs of each of these districts:

Broadway	Haight Street	Sacramento Street
Castro Street	Hayes-Gough	Union Street
Inner Clement Street	Upper Market Street	Valencia Street
Outer Clement Street	North Beach	24th Street-Mission
Upper Fillmore Street	Polk Street	24th Street-Noe Valley
		West Portal Avenue

One Special Use District is proposed for Lakeshore Plaza. Sub-District overlays are proposed for five general district locations and a portion of one individual district location to address one or two zoning categories:



Taraval Street Restaurant and Fast Food Sub-District  
Irving Street Restaurant and Fast Food Sub-District  
Ocean Avenue Fast Food Sub-District  
Geary Boulevard Fast Food Sub-District  
Mission Street Fast Food Sub-District  
North Beach Financial Service Sub-District

Together with Article 7, the proposal also amends Article 1 (Dimensions, Areas, and Open Spaces), Article 2 (Use Districts), Article 3 (Procedures) and Article 6 (Signs) of the Planning Code. These include a section on Conditional Use approval procedures applicable to neighborhood commercial districts, which establishes an administrative consent calendar procedure as an optional set of procedures for the Planning Commission to use. Conditional Use procedures also specifically refer back to the Master Plan for policy guidelines on reviewing permit applications. Provisions are proposed for change in use of Conditional Uses and Nonconforming Uses (including those which would be created by new use controls).

### Differences Between Existing and Proposed Zoning

By and large, the proposed neighborhood commercial rezoning is more restrictive than the existing zonings for the approximately 210 locations which it covers. This greater restrictiveness is not so much a downzoning as it is an effort to bring the zoning into conformity with the physical and land use structure that already exists in the districts. General building standards, such as height and bulk limits, floor area ratios, and rear yard requirements, correspond to the primary building types and overall physical scale currently existing in each district. Thus, if the floor area ratio for a particular district is reduced under the proposed zoning from 3.6:1 to 2.0:1, this is because most of the existing buildings in the district do not exceed a ratio of 2.0 to 1. Similarly, if the height limit is reduced from 135 feet to 65 feet, this is because very few, if any, of the existing buildings exceed the 65 foot height limit.

Moreover, the proposed building standards are calibrated to controls on use and use by story to bring about further consistency with the existing pattern and levels of land use in each district. Each proposed control is contingent upon the others in a way that simulates the dominant physical character and use intensity in each district. Thus, in any given district, a developer may or may not be able to build commercial space above the ground floor, depending both on the control for upper story commercial use and on whether a Conditional Use permit is granted for conversion of existing housing units as well as compliance with the height limits, the floor area ratio, and other requirements. It is within this context that the greater restrictiveness of the proposed zoning should be viewed. One of the problems with the existing zoning is that it is frequently inconsistent with existing development patterns in the districts. In varying degrees, it permits a scale and intensity of development that far exceeds what already exists in the districts. The proposed controls represent an effort to correct over-zoning under the existing controls. It does not prevent development from occurring in any district. Rather, it assures that new development is compatible with the existing development.

## METHODOLOGY

Seeking to address questions of economic impact resulting from neighborhood commercial rezoning runs into a number of complex methodological issues, not the least of which is the absence of a large volume of consistent quantitative data on economic activities in the neighborhood commercial districts. This chapter discusses these methodological issues and explains how the study assesses potential economic impacts under the proposed rezoning. Accordingly, the chapter is divided into the following sections: discussion of methodological issues, zoning and the neighborhood commercial economy, and approach for assessing potential economic impacts.

### Dynamic and Complex Nature of Neighborhood Commercial Economies

The chief methodological problem confronted in this study was how to capture the complex and dynamic nature of economic activities within and among neighborhood commercial districts. Such activities are not amenable to quantitative analysis because of the constantly shifting and changing nature of the economic activities at the neighborhood commercial district level. To illustrate this point, a contrast between Downtown and the neighborhood commercial districts is pertinent. There is only one Downtown area in the City. Accordingly, it is relatively easy to arrive at some consensus on its boundaries and thereby to isolate for analysis the business activities occurring within these boundaries. In contrast, there are over 200 neighborhood commercial districts. While similarities in the types of businesses found in different districts do exist, each district tends to be unique and caters to a distinctive market. This makes sampling difficult if not impossible as a way to isolate representative sources for analysis in the same way one might do so in the Downtown area.

In addition, retail activity in many districts caters to changing trends in consumer preferences. Some trends are ephemeral. A particular clothing style or food item may be very 'hot' one year and virtually disappear the following year along with the business that provided it. Product innovations in consumer durables such as video cassette recorders and personal computers give rise to new types of businesses providing both goods and services. These changing trends give a somewhat frenetic quality to retail activity at the neighborhood commercial level.

In addition, this frenetic quality is reinforced by the chronically high failure and turnover rates in the small business sector. Even if market conditions were in perfect equilibrium, there would still be a high degree of turnover in most districts. Most persons starting a small business do not conduct formal market analyses to evaluate quantitatively their chances for profitability and success. Frequently they operate on intuition and hunches. Their initial business start is often a learning process, from which they gain the experience and skills to maintain or expand their business. In the event of failure, they move on to something else. All of this adds to the complex and dynamic nature of the neighborhood commercial economy and makes it difficult to analyze in quantitative terms.



## Complex Relationship between Zoning and Economic Outcomes

A second methodological issue deals with the inherently complex nature of the economic impacts of zoning. There is no direct cause and effect relationship between zoning and economic outcomes. A change in zoning does not necessarily lead to a change in economic activity. The economic impacts resulting from zoning tend to be indirect and difficult to measure. The primary effect of zoning controls is on physical development. Zoning prescribes the size and shape of a building and regulates land uses. Through these controls, over a long period of time, zoning can affect the amount and type of buildings that can be developed and the activities that take place within them. Economic impacts undoubtedly result from these controls, but it is difficult, if not impossible, to distinguish the changes in economic activity which are the result of zoning from those changes which are the product of market forces alone. Zoning is only one of many variables affecting the economic viability of a given district. In most cases, market demand, demographic and income characteristics, consumer preferences, costs of construction and financing, etc. are more important than zoning in determining economic outcomes.

There are, of course, exceptional cases where zoning can have significant, albeit indirect, economic impacts. One example involves cases of excess supply, where the amount of commercial space for a given use greatly exceeds the consumer demand for that use. Also called 'excess competition', this type of situation is frequently characterized by a higher than normal rate of business turnover, employment instability, high vacancy rates, and sometimes physical deterioration, as there are too many merchants selling goods and services in a particular district for all of them to be profitable enough to successfully maintain their businesses and to pay a rent sufficient to maintain the building stock. A change in zoning policy affecting this oversupply condition can have important economic consequences.

For example, a policy to restrict new uses for which there is an oversupply could help eliminate conditions that give rise to excess competition thus giving existing businesses a better chance to earn profits and to pay economic rents. Conversely, a policy which encourages growth in uses for which there is already oversupply, could worsen the economic problems of excess competition. In this regard, it is important to recognize that more restrictive zoning policies do not necessarily depress economic conditions. The specific economic impacts of a restrictive policy depend on the supply-demand balance for the particular uses which prevails before the restriction is imposed. The market conditions in most neighborhood commercial districts, however, are not as unstable as represented by the above examples. The economic impacts and adjustments of new zoning controls also are less dramatic and more subtle.

## Limited Volume of Quantitative Data

There are no periodically published data sources on key economic indicators of activity in the neighborhood commercial districts such as retail sales, rent levels, vacancy rates, etc., that are akin to the quarterly economic reports published by leading real estate brokers on the Downtown retail and office markets. What data exists is subjective and seldom published. For example, it is possible to obtain from realtors in a given district their estimates of the current asking price for monthly commercial rents on a per

square foot basis in the district. These estimates provide a range of figures for the current asking rent, but they do not reflect rents paid by tenants who enjoy older long-term leases which are likely to be much lower. Rental estimates obtained from realtors, however, do allow comparison of the value of commercial space between different districts, e.g. to show that the value of commercial space on Union Street generally is higher than on Polk Street. However, not much more can be inferred from this data. These estimates also cannot be obtained in time series form, so one cannot show how rent levels have changed over the past five or ten years.

Moreover, in any given district, the variations around average rent might be so large as to make the estimated average an unreliable measure of the rent level. For example, a survey of rents for 21 commercial leases in the West Portal Neighborhood Commercial District done in 1985 by a private appraisal firm indicates that the average monthly rent of these leases was \$1.17 a square foot. However, the variations around this average were substantial. Over one half of the businesses had rents under \$1.00 a square foot. Three had rents over \$2.00 a square foot. The rest tended to center around the \$1.17 average.

### Subjective Aspects of Zoning Influence on Economics

Another methodological problem faced by this study is that proposed zoning controls will tend to have their most immediate impact on economic expectations. Proposed zoning controls affect expectations, the attitudes and beliefs that the business community and residents share about the future direction of development in a given area. Although not everyone is fully aware of zoning and how it works, the controls give signals to investors, merchants, and other interested parties about what the City would like to see happen in a particular area in the future. These signals can be especially influential in districts that are undergoing transition from one type of market orientation to another, and where the property owners and merchants are not willing to invest until City policy removes uncertainty about the direction of future development.

Due to the subjective nature of expectations, the best way to assess how they are influenced by public policy is to interview people in the affected community about their perceptions of the conditions that will be impacted by the policy. Hence, as part of this study, in-depth interviews were conducted with over 90 merchants, realtors, commercial property owners, and residents in 20 neighborhood commercial districts. While not a statistically representative sample, these interviews nonetheless help to provide important information and insights into real economic behavior in the neighborhood commercial districts.

### Role of Different Economic Interests

Assessing changes in economic expectations is complicated in large part because particular individuals or groups have different perceptions of the impacts that will occur and how their economic interests will be affected. Those groups whose interests are most likely to be affected by the proposed neighborhood commercial rezoning include: merchants, commercial property owners, realtors, and tenants and homeowners from the surrounding residential



neighborhoods. Attitudes about the desirability or undesirability of a proposed zoning change may vary greatly within and between these groups depending on how people perceive their economic interests to be affected.

The economic impact on taxpayers, and government agencies, are more appropriately assessed at the citywide level. These impacts of the proposed zoning will likely not increase or decrease aggregate employment, tax revenue, and government services, although they may change their relative allocations among districts. For example, controls that significantly restrict growth in one district can encourage growth in an adjacent district where controls are less restrictive. The only way to assess the resultant economic impact would be to determine how the shifts in economic losses and gains among all the districts result in net gains and losses for the city as a whole. However, because of the large number and variety of neighborhood commercial districts and the ample amounts of commercial and housing development that can be accommodated under either the existing or the proposed zoning, this study concludes that differences in development potential between the existing and proposed zoning are not large enough to warrant extensive analysis of aggregate impacts on the city's employment structure and tax base.

### Assessment Methodology

The methodology for assessing economic impacts in this study consists of evaluating the validity of the suppositions which underlie the public concerns about the economic impacts that could result from the proposed rezoning. The proposed rezoning is clearly more restrictive than the existing zoning in regulating physical development in neighborhood commercial districts. Hence there is concern that the proposed rezoning could 1) limit business opportunity thereby, making it more difficult for entrepreneurs to start a new firms; 2) limit the amount of space available for commercial uses thereby causing rents to increase; and 3) limits the ability of investors, property owners, and merchants to obtain the highest and best use of their properties. This methodology will assess the validity of these concerns by specifying the major differences between the existing controls and the proposed controls on a district-by-district basis and analyzing the potential economic impacts that are likely to result from these differences.

As discussed earlier, the magnitude of economic impacts cannot be precisely quantified due to the indirect relationship between zoning and the neighborhood commercial economy and the complex economic relationships within and between commercial districts. This methodological dilemma had two consequences for the way this study was conducted. First this study focused on those economic outcomes which could be specifically attributed to zoning changes, to differences between the existing zoning and the proposed neighborhood commercial rezoning. This means pinpointing those changes in the economy which would have occurred only because of the change in regulations. Second, because of the lack of a large variety of economic data on the neighborhood commercial districts and the importance of subjective factors such as expectations, the study did not employ a statistical analysis to measure the precise degree of impacts attributable to zoning. Therefore, this study used physical development projections in combination with field interviews and observational data to make qualitative assessments.

Since the proposed neighborhood commercial rezoning tends to be more restrictive than the affected existing zoning classifications, its primary effect will be to permit less development of new commercial space than would occur under the existing zoning classifications. To measure this impact physical development estimates were prepared for 20 districts under the proposed neighborhood commercial rezoning. These districts include the 16 individual area districts and the 4 districts serving as representative examples of each of the general area districts.

To select the 4 districts serving as representative examples, a screening process was used to identify those districts which the Department judged would be more heavily impacted by the proposed zoning change than other districts in the same zoning category. Consideration was given to such factors as: types of goods and services; physical scale and development pattern; general location in city; market orientation and size; and transportation access and conditions.

After applying these criteria to the neighborhood commercial locations, the following districts were chosen for analysis: Union/Hyde for the NC-1 classification, Chestnut Street for the NC-2 classification, Geary Boulevard for the NC-3 classification and, Laurel Village for the NC-S classification. The 16 individually zoned districts to be analyzed are: Broadway, Castro Street, Inner Clement Street, Outer Clement Street, Upper Fillmore Street, Haight Street, Hayes-Gough, Upper Market Street, North Beach, Polk Street, Sacramento Street, Union Street, Valencia Street, 24th Street-Mission, 24th Street-Noe Valley, and West Portal Avenue.

The physical development estimates were derived from identification and build-out analysis of "soft sites", i.e., those sites that could be developed under the existing zoning and those that could be developed under the proposed zoning. The sites generally consist of vacant and underutilized properties which are suitable for new construction or rehabilitation and conversion of existing structures. In order to meet the California Environmental Quality Act (CEQA) requirement, "worst case" scenarios were used. These scenarios assume that future increases in business demand will be great enough to cause a full buildout of these soft sites according to the parameters of either the existing zoning or the proposed zoning. In reality, full build-out is not likely to occur. Few of these sites will ever be built to their maximum zoning potential. Hence, actual growth in new commercial space will probably be less than that indicated by the physical development projections for the neighborhood commercial districts.

Yet the projections have relevance for assessing potential economic impacts by providing a vantage point for looking at future growth trends. They provide a conceptual framework for assessing how current market forces may affect a given district over the future and the role that zoning can or cannot play in influencing or balancing off these forces. Over the next 10 years no neighborhood commercial district may experience the volumes of growth in new commercial space estimated in the projections, yet every district is currently experiencing real economic change that could result in a different economic and land use pattern 10 years from now. The projections help us to think about this change. Projecting new growth out to its full potential permitted by zoning may not be realistic, but it does correspond to the way most people think about the future; namely, by taking current trends to their logical conclusions.



## Community Interviews and Observations

In this study, the inferences drawn from the projections on the basis of conventional economic reasoning were evaluated against field data drawn from interviews with merchants, realtors, and other economic actors in the districts.

To develop a primary source for such data, 93 in-depth interviews were conducted in the 20 neighborhood commercial districts covered in this study. The types of business persons were interviewed in each district: an established merchant, a new merchant, a commercial property owner, and a realtor. This sampling strategy was generally followed, although some variation occurred due to different issues and different levels of response between districts. In some districts more than 4 interviews were conducted; in others, less than 4 were conducted. Of the 93 interviewees, 60 were merchants, 16 realtors, 10 commercial/residential property owners, 5 residents, and 2 business association leaders. At the citywide level, interviews were conducted with one representative from a savings and loan institution and four representatives of franchise and chain store operations. While much of the data drawn from the interviews concerned subjective perceptions, the findings nonetheless provide insight into the thinking of people familiar with the various districts about current, past, and future economic conditions. As such, it provides a source for scrutinizing and refining the inferences drawn from conventional economic reasoning.







## CITYWIDE ASSESSMENT

The Neighborhood Commercial Rezoning Proposal includes the establishment of a new framework, revisions to certain controls, addition of some new controls, and revisions to conditional use procedures and criteria. The proposal also includes revision of Master Plan policies relating to neighborhood commercial districts. This chapter treats the aggregate effects of the proposal on economic activity in the city as a whole.

### MASTER PLAN POLICIES

The proposed Master Plan amendments set out the goals, objectives and policies for neighborhood commercial districts, including guidance for the development of zoning districts and controls and for evaluation of individual permit applications. Because the substance of the policies and the controls is essentially the same, the economic effects of the policies will be considered together with the evaluation of the zoning controls and not discussed separately in this report.

### ZONING FRAMEWORK AND PERMIT REVIEW PROCEDURES

The potential effects of the imposition of Article 7, its format, and permit review procedures are considered separately from the potential effects of the changes in controls. For economic analysis, the relevance of Article 7 is in the new framework it creates to display the controls and the criteria and procedures it provides for review of conditional use applications.

When evaluating a new zoning framework from an economic perspective, it is important to consider the changes that the proposal would make in the certainty and predictability of the zoning rules and outcomes, and in the time and cost of the process and procedures which implement the system on an ongoing basis.

Since 1978, the existing C-2 controls have been supplemented by a confusing array of special use district overlays, moratoria, and interim controls. Guidelines for the review of applications in neighborhood commercial districts have been developed and modified over time, but never incorporated into the Master Plan and Planning Code in a comprehensive fashion. Article 7 restructures that system through a new Planning Code format and more regularized and permanent procedures within which the process can continue to operate. Once the initial confusion of the new system has settled, having one section of the code with a comprehensive listing of neighborhood commercial districts and controls should clarify the present situation and reduce uncertainty.

Conditional use requirements are proposed for many uses which formerly were permitted as principal uses. However, many applications for such uses experienced delay as a result of requests for City Planning Commission Discretionary Review. Under that system, it often was not possible to predict which applications would be delayed for special review or what review criteria and procedures would apply. The adoption of new conditional use standards and procedures should reduce this uncertainty and allow businesses to better plan for future development and expansion. Consent calendar provisions should facilitate approvals of non-controversial applications.

## PHYSICAL DEVELOPMENT ESTIMATES

Physical development estimates indicate that of the 20 districts covered under the estimates, 18 would have less potential commercial growth because of the proposed rezoning. The proposed zoning could significantly curtail growth in certain types of new commercial space in some neighborhood commercial districts. However, in most districts the differences in square footage of potential growth are slight in relation to the total amount of existing space in the district.

The estimates were prepared for the Environmental Impact Report under CEQA guidelines which require "worst case" projections. Therefore they are based on an assumption of full build-out on sites that have a potential for development. This assumption tends to overstate development potential because in most districts market demand is not sufficient to cause full build-out. Nonetheless the full build-out estimates do provide a consistent framework within which the potential impacts under the proposed zoning can be examined.

The proposed controls are calibrated to the existing height, bulk, rear yard setbacks and use characteristics of each district. As such they are intended to ensure that new buildings will conform to the existing physical scale and characteristics of the district while accommodating new development and allowing appropriate changes in use.

The proposed controls are designed to stabilize the economic market and neighborhood environment of those districts which have been growing rapidly. Projected curtailment of growth under the proposed controls is greater in these more active neighborhood commercial districts, such as North Beach, Upper Fillmore, and Union Street. Continued growth in these areas is likely to produce negative effects on the livability of adjacent residential areas and destabilize the business environment by permitting excess competition in some retail sectors, primarily eating and drinking business. By placing more stringent restrictions on growth in these districts, the proposed controls could help to stabilize business conditions in these high-growth districts and steer some additional growth into other adjacent commercial areas, where market demand is on the rise but is not nearly as robust.

Finally, the proposed controls promote retention of existing housing and encourage development of new housing, thereby strengthening the neighborhood-serving market base of most districts. Existing housing is protected by stringent restrictions on housing demolitions and conversion. New housing growth is encouraged by raising housing densities for some districts, which will enable developers to achieve more efficient utilization of potential sites for housing development.



The aggregate effect for the city of curtailing new commercial growth under the proposed zoning should enhance the complementary relationship between commercial activity in the neighborhoods and Downtown. The neighborhood commercial districts and the Downtown area serve two distinct markets. The districts primarily serve residents and workers in adjacent neighborhoods while Downtown primarily serves larger citywide, regional, and tourist markets. The proposed controls should help to enhance this complementary relationship between the districts and Downtown by strengthening the neighborhood character and economic functions of the districts. As the physical development estimates indicate, the main effect of the proposed controls would be to steer new growth away from more eating and drinking and office activity and toward more neighborhood-oriented retail and housing.

### COMMERCIAL RENT LEVELS

Data on rent behavior collected for this study are consistent with the changes in market structure and business activity reported in the individual district case studies. Table 4 shows the range of current asking rents in each district obtained from interviews with realtors. Sufficient data were not available to characterize the wide range of rents currently paid under older existing leases. In some cases, leases 10 or more years old were reported to be well under \$.80 per square foot.

TABLE 4  
AVERAGE ASKING RENTS FOR GROUND STORY RETAIL SPACE  
20 NEIGHBORHOOD COMMERCIAL DISTRICTS  
1986

DISTRICT	MONTHLY RENT PER SQUARE FOOT
Hyde/Union (NC-1)	NA
Chestnut Street (NC-2)	\$2.00 - \$2.25
Geary Street (NC-3)	\$1.00 - \$3.00
Laurel Village (NC-S)	\$1.50 - \$3.00
Broadway	\$2.00 - \$2.50
Castro Street	\$2.50
Inner Clement Street	\$2.00 - \$3.00
Outer Clement Street	\$1.25 - \$1.50
Upper Fillmore Street	\$2.50
Haight Street	\$2.00
Hayes/Gough	\$1.25 - \$2.25
Upper Market Street	\$1.25 - \$2.00
North Beach	\$1.50 - \$2.50
Polk Street	\$2.00 - \$2.50
Sacramento Street	\$2.00 - \$2.75
Union Street	\$2.30 - \$3.50
Valencia Street	\$1.25 - \$1.50
24th Street/Mission	\$1.50 - \$3.00
24th Street/Noe Valley	\$1.50 - \$2.00
West Portal Avenue	\$1.50 - \$2.00

The rent ranges shown in the table are similar to those obtained by Recht Hausrath in a similar survey of 7 neighborhood commercial districts in 1983. Where comparisons over time can be made for the same district, the changes during the 3 years between the two surveys appear to be consistent with observed changes in economic demand in a district. For example, the average asking rent for ground floor retail space in the Castro district in the 1983 survey was \$2.50 - \$3.50+ a square foot. In the 1986 survey, the reported average is \$2.50. This stabilization of rents is the result of a decline in retail activity and space demand that Castro Street merchants say has occurred in the area over the past two years. As patronage has declined, commercial property owners have had more difficulty renting out their space and thus have been obliged to hold rents down. Conversely, rent levels in the West Portal district appear to be increasing, which is consistent with apparent increases in pedestrian traffic and consumer patronage that have been occurring in that district in recent years.

It is unclear whether the increased restrictiveness of the proposed zoning changes will cause rents to rise. Rising rents are partly tied to the recent trend in commercial space markets toward short term and "triple net" commercial leases. The average new lease throughout all districts has a term of 5 years or less. Most are for 3 years, and some involve year to year renewals. This is a big change from the lease agreements of the past when terms of 10 years or more were common. The trend toward short-term leases began during the late seventies when high inflation and interest rates compelled commercial property owners to avoid being locked into long term leases with fixed rents that could depress the market value of their properties.

Short-term commercial leases tend to favor the large-scale franchise-oriented retail firm over the small independent merchant. The large-scale retail firm is financially better equipped than the small merchant to negotiate lease arrangements and is better able to fund improvements under short-term leases. Moreover, the trend toward short-term leases in combination with the trend toward "triple-net" leases, whereby the commercial tenant also is responsible for tax, insurance, and maintenance costs, compound the financial difficulties facing the small independent neighborhood merchant endowed with limited working capital. These trends may help explain the increasing displacement of small neighborhood businesses that has been occurring in many districts since the seventies. The decline in the rate of inflation and interest rates since 1984, if permanent eventually should stabilize rents and the financial environment facing small independent merchants.

Interviews reveal that realtors, commercial property owners, and merchants in most districts believe that the proposed controls, especially the restrictions on eating and drinking establishments and conversion of upper story residential space to commercial uses, will increase the rents charged for commercial space. Whether or not this will occur depends on the strength of demand in each district.

To the extent that rental rates rise as a direct result of the proposed rezoning, the strongest pressure is likely to be felt in the most restricted uses in the most active districts, namely for eating and drinking businesses in districts where new such businesses are prohibited. At the same time, however, this effect will be offset by a dampening effect on rents for spaces which without the zoning restriction would otherwise rise in expectation of conversion to additional bars and restaurants.



However, even in situations where the proposed controls do cause rent increases, this price adjustment may be necessary to slow commercial development in specific commercial sectors, such as eating and drinking uses, to protect the other existing, and possibly less "rent rich" retail outlets, as well as to protect housing and the mixed-use character of the districts and the livability of their adjacent residential areas.

Despite recent publicity about rising rents, only 20% of the merchants interviewed in this study considered current rent levels unreasonable or objectionable. Of the 60 merchants interviewed, 43 commented on rents. Of these 40, 28 considered their rents to be reasonable, 5 considered them unreasonable, and 8 considered them "slightly too high", somewhere between reasonable and unreasonable. Only 2 merchants reported being forced out of business because of exorbitant rent increases. While most merchants interviewed consider their rents to be reasonable, they also believed that their current rents were at the limits of what they can afford. Most assert that they are not doing enough business to sustain further rent increases. Few of the merchants interviewed mentioned commercial rent control. Those who did, tended not to favor it. Rather, they favored some form of binding arbitration to deal with cases where a commercial property owner proposes to double or triple rent for an existing tenant.

Causes, effects, and issues related to dramatic rent increases are currently under consideration by the Commercial Leasing Task Force of the Small Business Advisory Commission. This task force was specifically established to respond to public concern about commercial rent increases. Its initial recommendations are expected to be released soon.

## MULTIPLE OUTLET BUSINESSES

Interviews with operators of franchise and chain stores indicate that most such stores in the neighborhood commercial districts are neighborhood-serving with only limited adverse economic impacts that are specifically attributable to their multiple-outlet status. These interviews were conducted with the owners and/or managers of 3 locally-based franchise and chain operations and 1 local outlet of a national franchise operation. The interviews suggest that the role of multiple-outlet operations in the neighborhood commercial economies depends not so much on whether they are a chain or a franchise, but whether they are locally-based or nationally-based with headquarters outside the city and region.

Most locally-based franchise and chain outlets consist of small-scale businesses that are located in several districts of the city, and sometimes other parts of the Bay Area. They usually specialize in a single product, such as ice cream, bakery items, or clothing items. They are started and owned by someone familiar with the San Francisco market who, after successfully operating an outlet in one district, decides to open other outlets in other districts through either single ownership or franchise agreements. Their markets are predominantly neighborhood in orientation. All interviewees state that over 90% of their customers come from the immediate neighborhoods and that most of their employees are local residents. While they sometimes conduct demographic and market studies to decide on the location for a new

store, they may also make such decisions on intuition and hunches, and on their personal knowledge of neighborhood markets in San Francisco. They say the main advantage of their outlets for consumers is that they provide a consistent quality of merchandise at a variety of locations. As one interviewee puts it:

"I think people want consistency in the quality of a product. If they go from Haight Street to Polk Street, they want to know that they will get the same product, that they will get a certain quality in the product.

As one moves from a locally-based franchise or chain store operation to a national chain with headquarters outside the metropolitan area, the relationship with the neighborhood commercial districts become more tenuous and complex, but not necessarily economically adverse. Many of the decisions about franchise or chain stores of a nationally-based operation are made by people headquartered in another part of the country or state who are not familiar with the markets of San Francisco neighborhoods. As a result, these decision makers may not take into account many of the nuances in physical character and social climate that may affect the profitability of outlets in these neighborhoods. This distance can be reduced somewhat by the flexibility exercised by regional and local managers of these outlets in adapting their store operations to the neighborhood market and in addressing neighborhood concerns.

Nationally-based franchises and chain operations can generate economies of scale through business practices including volume buying and shared advertising costs and as a result can sometimes pay higher rents than individually-owned businesses. The extent to which nationally-based franchise and chain operations may bid up rent levels for commercial space appears to depend on the extent to which more than one outlet becomes concentrated in a district. For example, the parent corporation for many nationally-based franchise operations generally holds the master lease for the local outlets and pays a rent that is higher than average for a district as a whole and for a longer time period, sometimes 20 years, which most independent neighborhood merchants cannot handle. If there are only one or two nationally-based franchise outlets in a given district, this is not likely to exert much pressure on rents for other commercial space in the district. However, it does appear that if several such outlets locate in a single district, asking rents for commercial space in the district as a whole may move up. However, this adverse effect may be moderated in districts where economic demand is weak, where the franchise operation provides an anchor tenant function that attracts more walk-in patronage for other smaller businesses in the area.

Overall, most multiple-outlet operations, whether locally- or nationally-based, whether organized as chain or franchise establishments, do not appear to present major rent-related problems for most neighborhood commercial districts in San Francisco, since most of their operations in the city are small-scale and neighborhood-serving. Nuisances, such as loitering, littering and noise, are not peculiar to franchise or chain outlets, but can be generated by many other types of establishments. Large chain drug and grocery stores which cater to multi-district markets and which have large site requirements for building and parking space, can present a major physical



intrusion in a district. However, due to the limited number of large vacant sites in San Francisco, most neighborhood commercial districts cannot meet these site requirements. In those districts which can meet these requirements, the height, floor area ratio, use size and other building standard requirements under the proposed rezoning will ensure that such developments are compatible with the existing physical scale and character of these districts.







## DISTRICT ASSESSMENTS

This chapter discusses the potential economic impacts of the proposed zoning for each of the 20 districts covered in the study. As a preface to these reports, the following section describes trends in the national and regional economy which characterized the business climate in San Francisco's neighborhood commercial districts during the period the research was conducted.

### INFLATION AND INTEREST RATES

About 10 years ago the national economy experienced a major surge in the annual rate of inflation from 5% in 1976 to a peak of 13% in 1979. Inflation did not begin to subside until 1982. A similar surge occurred in interest rates which did not level off and begin falling until 1984. These national trends have exerted an important influence on the local business climate. They explain some of the dramatic increases in commercial rent that occurred in the late 1970s and early 1980s and have become an issue of citywide concern.

Annual rent increases for many commercial leases are tied to rises in the Consumer Price Index. Leases which have been renegotiated for properties which changed ownership after 1976, when the national rate of inflation jumped from 5% to 13%, have been subject to abrupt increases in rent. New property owners who purchased buildings at considerably higher market value and interest rates than previous owners enjoyed, have increased rents accordingly to meet much greater debt service requirements and to earn a competitive return.

Because long-term leases were common prior to the early 1970s, many older leases will continue to expire in coming years. Thus, the process of upward rent adjustments is likely to continue for some time even though the current rate of inflation and interest rates are declining.

### DOWNTOWN OFFICE DEMAND

Many people interviewed for this study have observed that business activity in many neighborhood commercial areas seems to be slowing. These observations are consistent with national and regional economic trends, particularly the overbuilt supply of office space. According to Coldwell Banker, office vacancy rates in 31 major metropolitan areas in the country have risen from 5% in 1981, to over 16% in downtown areas and over 21% in suburban areas by the fourth quarter of 1986. The firm's estimates of current office vacancy rates in San Francisco range from 16% to 20%.

Neighborhood commercial areas adjacent to downtown are no longer experiencing significant spillover of office demand from downtown. This is apparent in the high office vacancy rates in the Broadway district and nearby portions of Pacific Avenue, both of which are near downtown. Also, as downtown property owners lower rents to fill vacant space, they attract potential tenants from the less competitive nearby neighborhood commercial districts, which in turn could attract potential tenants from other districts. Less utilization of office space also means a slower rate of growth in the number of workers who patronize local eating and drinking establishments and retail outlets. Even outlying commercial areas, which do not attract spillover demand from downtown, are affected.

Thus, in varying degrees, the current surplus in downtown office space has citywide effects. This is not to suggest that the neighborhood commercial districts will lose their overall economic strength and vitality. However, because of the national and regional overbuilding of office supply, district economic growth in the future is not likely to be as strong as it has in the past.

#### ORGANIZATION OF ASSESSMENT REPORTS

The discussion of each district is organized in the following manner. The first section introduces the district by describing its primary neighborhood and market characteristics. The second section summarizes the interviews conducted with business persons and residents in the district. The third section compares the existing zoning to the proposed zoning and discusses the potential physical development estimated under the existing and proposed zonings. This is followed by an analysis of the economic implications of the physical development estimates. This analysis is complemented by insights obtained from the interviews and observations concerning district market structure. The final section presents an assessment of potential economic impacts attributable to the proposed zoning based on the prior analysis of economic implications.

Each district report also includes supporting materials: a map of the district boundaries, a chart summarizing proposed zoning, and a table showing physical development projections by the existing and proposed zonings. (For additional information on the methodology of the development potential under existing and proposed controls, please refer to the Neighborhood Commercial Rezoning Proposal Draft Environmental Impact Report, 86.616 ETZM, Appendix A.)



## NC-1 -- NEIGHBORHOOD COMMERCIAL CLUSTER DISTRICTS

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

NC-1 zoning is proposed for the least intensive neighborhood commercial areas. Many of these areas are located in the older central sections of the City, where they often consist of small clusters of three or more commercial establishments grouped around a corner and contain buildings that are commonly two to four stories in height. Other NC-1 districts located in outlying sections of the city, primarily west of Twin Peaks, are frequently post-World War II developments containing predominantly one- and two-story buildings along a commercial strip with a large proportion of single family dwellings in the surrounding residential areas.

The commercial uses in the proposed NC-1 districts are mostly retail businesses providing convenience goods to the immediate residential neighborhood during daytime hours. The services offered do not commonly serve a citywide clientele. The proposed NC-1 districts include retail storefronts at the first story and residential uses at the upper stories. In some cases, attached residential buildings are interspersed among commercial only or mixed residential-commercial buildings.

Proposed NC-1 districts vary in economic conditions, depending on their location, especially with respect to other commercial districts and surrounding residential neighborhoods. The NC-1 district selected as a representative example is located at Hyde Street between Union and Green Streets. It is a block in length and contains mostly three- to four-story mixed residential-commercial buildings. Proximity to Russian Hill's small affluent households and to pedestrian traffic generated by the Hyde Street cable car line and the 41-Union MUNI bus line give this district a potentially strong economic market. The district is within a few blocks of three major commercial districts: Polk Street, Union Street and Van Ness Avenue. As of October, 1984, the district contained 28 commercial uses and 81 residential units. Its commercial uses are limited to dry cleaners, restaurants, grocery stores and a few convenience retail uses which primarily serve the surrounding residential neighborhood.

### OBSERVATIONS ON CURRENT TRENDS

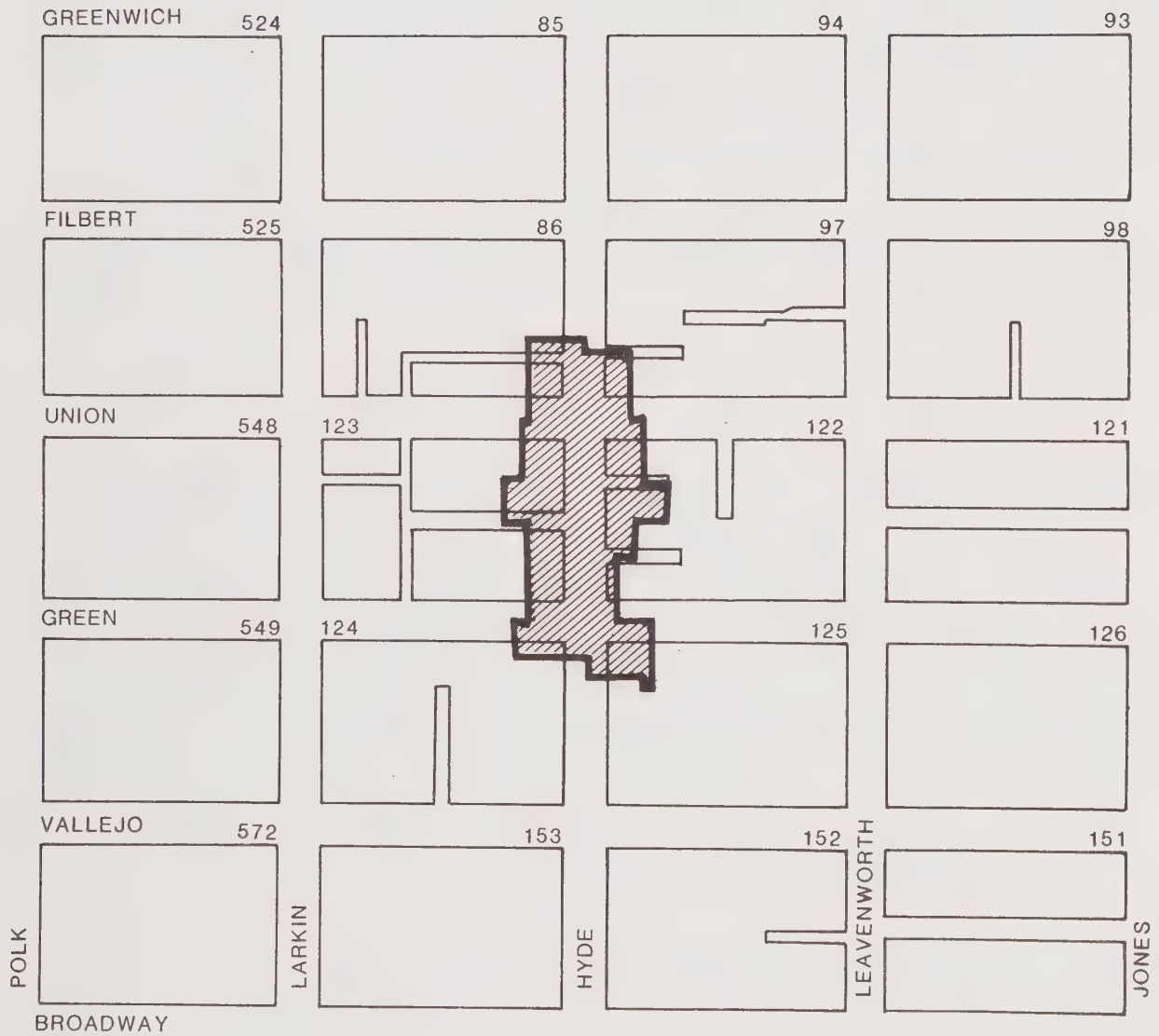
Two interviews were conducted in the Hyde-Union commercial area. Interviewees include 2 merchants whose observations cover the following topics: market area, change in the Hyde-Union area, rent levels, and zoning controls.

#### Market Area

##### Merchant

A merchant who has operated a retail outlet in the Hyde-Union Streets area for over 20 years says:

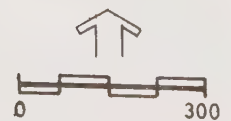
"Most of the customers are the working girls that live in the neighborhood, not the upper class people who live around here. About 1/2 of our market is from the neighborhood, the rest is from elsewhere, like the big hotels."



## **UNION - HYDE** **PROPOSED ZONING**

— NC-1 BOUNDARY  
 /// SOFT-SITE STUDY AREA

**Map 1**





**Merchant**

A merchant who has operated a repair service in the Hyde-Union area for over 30 years says:

"No tourists. Residents up to a radius of two to three miles. I do home repairs. If I went any further out for home service the transportation costs would be too high to make it worthwhile."

**Change in Hyde-Union Area**

**Merchant**

The merchant who operates a retail outlet says:

"A lot of the women have moved out because rents have gone up. This situation has something to do with the economics of the city. A lot of corporations are leaving for the suburbs which means that a lot of their employees have to find new jobs or are relocated."

"A few smaller more upscale stores have moved in ... but there's not much commercial space here anyway. There's not much change to account for. It's a quiet neighborhood."

She also thinks the business climate in the Hyde-Union area has worsened.

"A lot of customers have moved away, and people don't have the money to spend. They're worried about paying the rent and buying food. But this situation may only apply to us. Who knows what it's like for the other merchants?"

**Merchant**

The merchant who operates a repair service says:

"In the district? Parking is the biggest change I have noticed in the past 32 years ... rather the lack of parking. I guess that means more people, or at least more cars. Other than that I am not aware of any significant changes."

**Rent Levels**

**Merchant**

The merchant who operates a retail outlet does not reveal the amount of her rent. She says the lease stipulates that the rent goes up \$150 every year. However, she believes the rent will go up even higher because her landlord is talking about making improvements on the building. Initially, the lease term for her shop was for 5 years, but now the landlord doesn't want to give anything more than 3 years.

**Merchant**

The merchant who operates a repair service says his rent is reasonable, but he does not want to divulge the amount because he has a personal relationship with the landlord and believes that his rent is below market. He also

mentions that he will be retiring soon. One of the reasons he is doing so is that the nephew of the present landlord will be "taking over" the property. He expects the nephew will be "putting up the rent ten times over what I am paying now."

## Zoning Controls

Neither interviewee was aware of zoning controls affecting the Hyde-Union area.

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the proposed NC-1 locations comes under one of the following zoning classifications: C-1 (Neighborhood Commercial), C-2 (Community Business), or RC (Residential-Commercial Mixed). Hyde-Union is currently C-1 zoned. The proposed NC-1 zoning controls, as shown on Table 5, are designed to regulate physical development in the least intensive commercial districts, many of which are located in the middle of low-density residential neighborhoods. The changes in zoning controls are designed to bring the zoning into conformity with existing physical characteristics of these areas.

## Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and the proposed zoning except for selected areas in the southwestern part of the city where a 26 or 32 feet height limit is proposed and in an NC-1 district near the Hayes-Gough area where height and bulk changes also are proposed. The proposed zoning is more restrictive than the existing zoning in Floor Area Ratio requirements for commercial space. Under the existing C-1, C-2, and RC-3 zonings the Floor Area Ratio is 3.6 to 1. Under the existing RC-1 and RC-2 zoning it is 1.8 to 1. The proposed NC-1 zoning reduces these ratios to 0.75 to 1. Residential densities are the same under the existing and proposed zonings. Both permit 1 unit per 800 square feet of lot area.

## Restrictions on Types of Uses and Use by Story

The proposed zoning is also more restrictive in use controls. It limits eating and drinking, entertainment, offices and parking facilities to the ground floor. The existing zoning allows these uses on all floors either by right or by Conditional Use authorization. Moreover, certain of the ground floor commercial uses allowed under the proposed zoning require Conditional Use permission: namely, small and large fast food restaurants, take-out food outlets, entertainment places, and parking facilities.

## Other Requirements

The proposed NC-1 zoning also has certain requirements which do not exist under the current zoning. These include: required Conditional Use review of new development on lots of 5000 square feet or more in size; required review of new commercial and institutional uses of 2500 square feet or more in size,



SEC. 710.  
NEIGHBORHOOD COMMERCIAL CLUSTER DISTRICT  
NC-1 ZONING CONTROL TABLE

TABLE 5

			SEC. 710.
			NC-1 #
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	Varies See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at grade level and above § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	
.16	Marquee	§ 790.58	
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	0.75 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 11 p.m. C: 11 p.m. - 2 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)(1)
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			SEC. 710.
			NC-1
			Controls by Story
			1st 2nd 3rd +
	§ 790.118		
.38	Residential Conversion	§ 790.84	P
.39	Residential Demolition	§ 790.86	C C C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P
.41	Bar	§ 790.22	P #
.42	Full-Service Restaurant	§ 790.92	P #
.43	Small Fast Food Restaurant	§ 790.90	C #
.44	Large Fast Food Restaurant	§ 790.91	C #
.45	Take-Out Food	§ 790.122	C #
.46	Movie Theater	§ 790.64	
.47	Adult Entertainment	§ 790.36	
.48	Other Entertainment	§ 790.38	C
.49	Financial Service	§ 790.110	
.50	Limited Financial Service	§ 790.112	P
.51	Medical Service	§ 790.114	P
.52	Personal Service	§ 790.116	P
.53	Business or Professional Service	§ 790.108	P
.54	Massage Establishment	§ 790.60 § 2700 Police Code	
.55	Tourist Hotel	§ 790.46	
.56	Automobile Parking	§§ 790.8, 156, 160	C

			SEC. 710.
			NC-1
			Controls by Story
			1st 2nd 3rd +
.57	Automotive Gas Station	§ 790.14	
.58	Automotive Service Station	§ 790.17	
.59	Automotive Repair	§ 790.15	
.60	Automotive Wash	§ 790.18	
.61	Automobile Sale or Rental	§ 790.12	
.62	Animal Hospital	§ 790.6	
.63	Ambulance Service	§ 790.2	
.64	Mortuary	§ 790.62	
.65	Trade Shop	§ 790.124	P
.66	Storage	§ 790.117	

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 800 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 275 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 100 sq.ft. if private, or 133 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

**SPECIFIC PROVISIONS FOR NC-1 DISTRICTS**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 710.12 § 710.20 § 710.24 § 710.27 § 710.41 § 710.43 § 710.44 § 710.45 § 710.49 § 710.51 § 710.52 § 710.53 § 710.58 § 710.65 § 710.81 § 710.82 § 710.90 § 710.91 § 710.92 § 710.93 § 710.95	§ 780.1	<b>LAKESHORE PLAZA SPECIAL USE DISTRICT</b>  <u>Boundaries:</u> Applicable only for the Lakeshore Plaza NC-1 District as mapped on Sectional Map 13 SU  <u>Controls:</u> Special controls on commercial floor area, various features and uses, and residential standards
§ 710.41 § 710.42		<u>Boundaries:</u> All NC-1 Districts  <u>Controls:</u> P if located more than one-quarter mile from any NC district with more restrictive controls; otherwise, same as more restrictive control
§ 710.43 § 710.44 § 710.45		<u>Boundaries:</u> All NC-1 Districts  <u>Controls:</u> C if located more than one-quarter mile from any NC district with more restrictive controls; otherwise, same as more restrictive control
§ 710.42 § 710.43 § 710.44	§ 781.1	<b>TARAVAL STREET RESTAURANT AND FAST FOOD SUB-DISTRICT</b>  <u>Boundaries:</u> Applicable only for the two Taraval Street NC-1 districts between 40th and 41st Avenues and 45th and 47th Avenues as mapped on Sectional Map 5 SU  <u>Controls:</u> Full-Service Restaurants and Small Fast Food Restaurants are C; Large Fast Food Restaurants are MP

limitations on conversion and demolition of residential uses; rear yard setback requirements, treatment of building frontage for storefronts; commercial hours of operation; and commercial walk-up facilities. In one NC-1 district, Taraval Street, additional restrictions are placed on full-service restaurants and fast food restaurants.

### Physical Development Estimates

Physical development estimates for the Hyde-Union NC-1 district are shown in Table 5. According to these projections, the total volume of new commercial space permitted under the existing zoning for Hyde-Union would be less than 1/2 of that permitted under the proposed zoning. This difference in total permitted volume of commercial space primarily would occur in the office sector. Under the proposed zoning, no growth in new office space would occur, while under the existing zoning the potential volume of new office space would be 10,200 square feet. At the same time, there could be slightly more growth in retail space under the proposed zoning which would permit 2000 square feet in new retail space. This is equivalent to the space of one medium-sized store. Under the existing zoning the Hyde-Union area could lose 1,100 square feet in its existing supply of retail space. Growth in eating and drinking space and housing units would be the same under both zonings.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

As an example of a proposed NC-1 zoning district, the Hyde-Union area reflects the general characteristics of a small-scale cluster of eating and drinking places, shops and offices, grouped around a corner within a larger area that is generally dominated by housing. In Hyde-Union, as in most NC-1 districts, commercial growth is limited by several conditions regardless of zoning. First, many of these districts located in the central older sections of the city are generally already developed to their maximum limits, leaving little room for residential development and practically no space for commercial expansion. Because of these physical constraints, most commercial growth can only occur by turnover of existing businesses to other businesses. For example, Hyde-Union has sturdy, sound structures which are not likely to be altered or replaced with larger structures. These structures occupy most, if not all, of the maximum building envelope permitted for the Hyde-Union area under both the existing and the proposed zonings. The rear yard requirement at the grade level and above under the proposed NC-1 zoning is generally considered a significant restriction on future development, but in Hyde-Union most of the buildings already occupy the required rear yard, thus minimizing the significance of this restriction.

The NC-1 districts west of Twin Peaks tend not to be as intensely developed as those in the central sections of the city. Most buildings in these outlying sections are not developed to their maximum limits, and most do not occupy their required rear yard setbacks. Nonetheless, they have a predominantly residential character which tends to circumscribe the scale and size of their commercial areas.



TABLE 6  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NC-1 NEIGHBORHOOD COMMERCIAL DISTRICT  
Union-Hyde Streets

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	3,900	18,800	3,400	26,100	20,100	0	46,200	77,000 (81)	123,200
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+2,300	-2,300	+2,300	+2,300	0	0	+2,300	0 (0)	+2,300
Conversions of Use	0	+1,200	+6,700	+7,900	-14,400	0	-6,500	+6,700 (+8)	+200
<b>Total Change</b>	<b>+2,300</b>	<b>-1,100</b>	<b>+9,000</b>	<b>+10,200</b>	<b>-14,400</b>	<b>0</b>	<b>-4,200</b>	<b>+6,700 (+8)</b>	<b>+2,500</b>
Potential Land Use	6,200	17,700	12,400	36,300	5,700	0	42,000	83,700 (89)	125,700
% Change- Land Use	+59%	-6%	+265%	+39%	-72%	0%	-9%	+8% +10%	+2%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	0	0	0	0	0	0	0 (0)	0
Conversions of Use	+2,300	+2,000	0	+4,300	-17,700	0	-13,400	+13,400 (+8)	0
<b>Total Change</b>	<b>+2,300</b>	<b>+2,000</b>	<b>0</b>	<b>+4,300</b>	<b>-17,700</b>	<b>0</b>	<b>-13,400</b>	<b>+13,400 (+8)</b>	<b>0</b>
Potential Land Use	6,200	20,800	3,400	30,400	2,400	0	32,800	90,400 89	123,200
% Change- Land Use	+58%	+11%	0%	+16%	-88%	0%	-29%	17% +10%	0%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

Secondly, most areas proposed for NC-1 zoning lack adequate parking to accommodate significant new commercial growth. Hyde-Union, for example, lacks parking to serve existing and potential customers. There are no off-street parking facilities and only a limited number of on-street spaces. In addition, traffic circulation is inhibited by cable cars running on Hyde Street and the bus lines running along Union Street. The area is therefore not likely to attract many customers from outside the immediate neighborhood. NC-1 districts located west of Twin Peaks generally have more on-street parking, but this parking is situated on streets that are intended for access to residential areas.

Thirdly, the proposed NC-1 areas are generally located in close proximity to one or more large, active commercial districts, which are absorbing most of the consumer demand in the area and against which the NC-1 clusters cannot compete. Hyde-Union is located within walking distance to the much larger Union Street, Polk Street and Van Ness Avenue commercial districts. In addition, it is within easy reach of the North Beach commercial district by the 41 bus line. Accordingly, its existing and potential economic market is narrowly circumscribed. At most, all it can economically provide is a few convenience services for the immediate neighborhood, along with one or two restaurants and offices.

Taking into account these general physical and economic constraints to commercial growth that are independent of zoning, the potential economic impacts that can be attributed to the greater restrictions under the proposed NC-1 zoning are relatively insignificant. For example, the physical development estimates for Hyde-Union indicate that the proposed zoning could allow no new office growth compared to 9000 square feet in office space that would be allowed under the existing zoning. However, one cannot infer that this curtailment of new office space would increase the value of existing office space because the Hyde-Union neighborhood economy does not provide a major market for offices. Potential office users can easily locate along nearby Polk Street or Van Ness, and in fact would probably be more attracted to these areas because of the supporting commercial facilities located there. Similarly one cannot infer that the projected increase in retail space under proposed zoning would significantly affect economic viability in the area by creating a more competitive situation among retail establishments. For one thing, the number of retail establishments is small, with each providing a different retail food or service. A few new establishments are not likely to affect the business of the existing establishments. Also, the amount of retail growth projected -- 2000 square feet over a ten year period -- is insignificant.

### Economic Implications of Community Observations

Interviews with two merchants tended to confirm that the differences between existing and proposed zoning for Hyde-Union would have no significant impact on economic activity in the area. The interviewees were generally unaware of any zoning issues, and when informed of the proposed controls, did not see them having any significant impact on their businesses or on others in the area.



More importantly, these businesses appear to have achieved an equilibrium with the small neighborhood size of their market. They have been successful in providing convenience goods and services to the immediate neighborhood for a long period of time, at least 20 years. Their comments reveal no intention of reaching beyond this market area to compete with establishments in larger commercial areas, such as those on Polk Street or Van Ness Avenue.

The merchants in the area are marginally affected by the general economic trends affecting neighborhood commercial districts throughout the city. Those interviewed commented on a few up-scale businesses that have moved into the area. They also expressed concern about commercial rent increases and the loss of a customer base as more working women who live in the area leave because of residential rental increases or because their employers are moving their offices to the suburbs. However, the merchants do not believe that these trends are threatening the survival of their businesses. By and large, the area has remained quiet with only a negligible amount of change.

## ASSESSMENT

The above analysis of the Hyde-Union commercial area as a representative example of the NC-1 districts supports the following conclusions.

- The proposed NC-1 zoning is not likely to have adverse economic impact on the commercial areas included in this zoning.
- While the proposed NC-1 zoning tends to be more restrictive than the existing zonings for these areas, these restrictions are likely to have little economic significance because the predominantly residential character of these areas, frequently coupled with close locational proximity to larger, more active commercial areas, limits their potential market regardless of zoning.

## NC-2 -- SMALL-SCALE NEIGHBORHOOD COMMERCIAL DISTRICTS

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

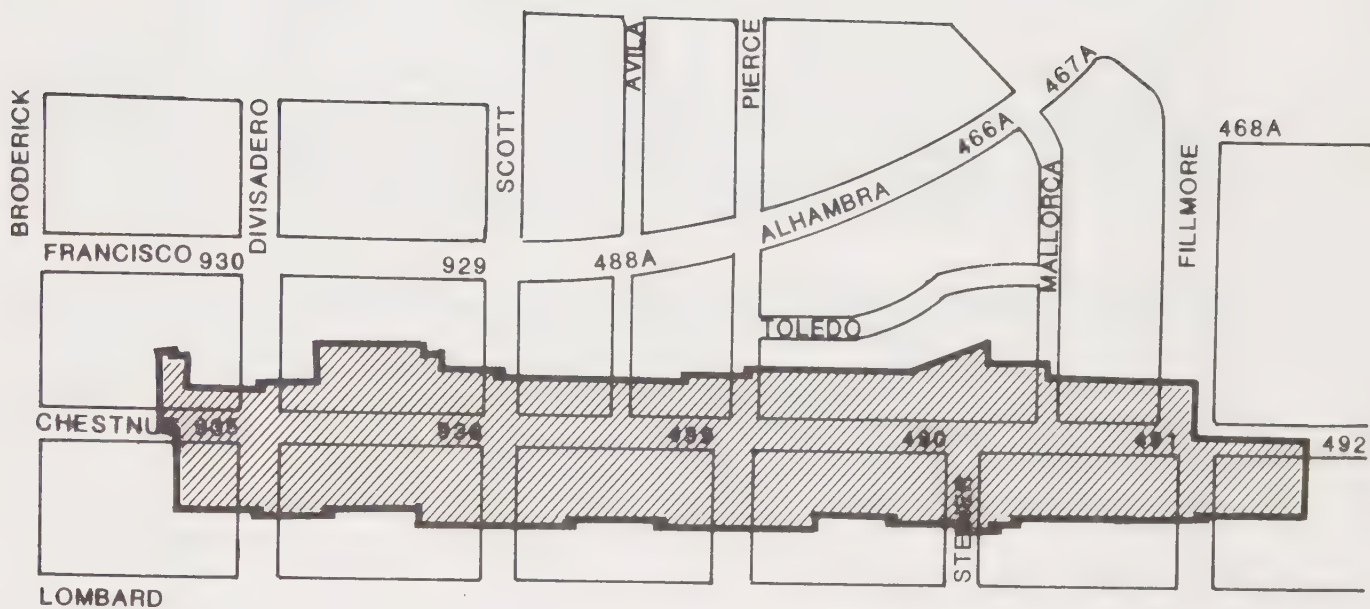
NC-2 zoning is proposed for small-scale commercial areas, which are typically larger than commercial clusters but smaller than the moderate-scale neighborhood commercial districts. They vary widely in size from two or three blocks to linear commercial strips that are many blocks in length. For example, one NC-2 area along Balboa Street, from 3rd to 7th Avenues, is 4 blocks long, while another -- Ocean Avenue, from Phelan to Manor Streets -- is 13 blocks long. Commercial development in these districts, however, usually is not continuous and is sometimes interspersed with housing or other land uses. Buildings range in height from two to four stories with occasional one-story commercial buildings. Rear yards are less common than in the commercial clusters, but are often found, especially in those districts with less commercial activity.

The proposed NC-2 areas commonly contain commercial uses at the ground story, with housing at the upper stories. In some districts commercial uses also occupy second story locations and occasionally third or fourth story locations. The mix of commercial uses typically consists of a wide variety of convenience and comparison shopping retail uses which cater to the surrounding neighborhood, and in some districts also includes some specialty shopping and evening uses which attract a wider clientele from beyond the immediate neighborhood.

The commercial area selected as a representative example of a proposed NC-2 district is Chestnut Street from Fillmore to Broderick Streets. Located in the Marina district in the northeastern section of the city, Chestnut Street extends five blocks in length and is directly parallel to Lombard Street, another commercial strip which also serves part of US Highway 101. The district contains many one and two-story buildings, with some taller apartment buildings that include ground-story retail storefronts and a few upper-story offices. As of January, 1984, Chestnut Street contained 203 commercial uses and 323 residential units. Its mix of commercial uses include a large number of eating and drinking places and a wide variety of retail goods and services ranging from grocery stores to banks to specialty retail stores. When the district was surveyed, it had two vacant storefronts, suggesting a healthy demand for commercial space.

In recent years, the district has undergone an intensification of commercial activity within its existing buildings. Eating and drinking uses, specialty retail outlets, and financial services have replaced laundromats, grocery stores and other long-standing businesses. The increasing turnover in businesses can be attributed, in part, to the increased popularity of the district, especially to the surrounding Marina neighborhood, which includes established older families as well as incoming younger, professional households, many of whom are single or couples without children. It may also be attributable to the existence of a public parking structure in the area which may attract more customers from outside the area. In addition, the proximity of the Union Street commercial district, which has undergone dramatic economic changes in the last 15 years, may have influenced the commercial character of Chestnut Street toward a more regional orientation.





## CHESTNUT PROPOSED ZONING

- NC-2 BOUNDARY
- //// SOFT-SITE STUDY AREA

Map 2



Chestnut Street is well-served by public transit with the 30-Stockton bus, the crosstown 22-Fillmore bus and the 43-Masonic bus, making it more accessible to others from outside the neighborhood.

## OBSERVATIONS ON CURRENT TRENDS

Three interviews were conducted in the Chestnut Street district. Interviewees include 1 new merchant, 1 established merchant, and 1 realtor. Their observations cover the following topics: change on Chestnut Street, rent levels, and zoning controls.

### Change on Chestnut Street

#### Merchant

The new merchant interviewee opened a retail outlet on Chestnut Street in February 1985. She says she selected the location because the pedestrian traffic seemed to be good. She adds that she observed few vacancies on Chestnut Street before she opened her store there, but during the year following her opening, "there were a lot of turnovers."

#### Merchant

The established merchant interviewee has operated a retail outlet in the Chestnut Street commercial area since 1978. To him, it is "unequivocally clear" what the primary change on Chestnut Street has been: "escalating rents." He says the real estate industry sees Chestnut Street as a prime market for earning a return on commercial real estate investments. As a result, whether or not the business environment on Chestnut Street has improved depends on the perspective. From the perspective of the real estate investor, it has improved, but from the perspective of the merchant it has worsened.

#### Realtor

The realtor interviewee is the principal officer in a real estate firm that has operated in the Chestnut Street area since 1919. He says the primary change on the street is its "increased popularity . . . for all ages." He elaborates:

"Chestnut Street seems to be a little more stable than most districts. It still serves more of its neighborhood. What is coming in are food outlets, such as pastry shops and pizza parlors, and savings and loan institutions. What has been driven out are very beneficial neighborhood-serving establishments, such as laundromats and 'mom and pop' grocers. They are being replaced by more efficient businesses. If I am a cobbler using old methods and a new cobbler using new and more efficient methods comes in, he will replace me because he can do more business and afford a higher rent. Small businesses aren't competitive any more."



## Rent Levels

### Merchant

The new merchant interviewee says that she pays \$2100 a month for 1000 square feet of space under a 10-year lease with annual increases of 10% built into the agreement. In addition, she is responsible for all utilities and improvements. She considers her rent "slightly too high."

### Merchant

The established merchant interviewee says that he pays rent of \$2000 a month for 1000 square feet. He is in the last 2 years of a 10-year lease that was originally a 5-year lease with a 5-year option. He says there is "no chance" he will seek to stay in his current space because "I never enjoyed being a tenant" and "landlords nowadays lack cordiality." He mentions how he has had to use his attorney on three occasions to prevent new owners of the building from reducing his space and violating the terms of the lease.

### Realtor

The realtor interviewee estimates that the "mean" asking rent on Chestnut Street for a ground floor retail space with a 25-foot frontage and a total floor area of 1000 square feet or less is \$2.50 per square foot. For a space of 4000 square feet or more, the mean is \$2.00 to \$2.25 per square foot.

He estimates that the annual rate of increase over the past 5 years is about 5%. In addition, he estimates that the current vacancy rate on Chestnut Street is 2-3% and that it has remained constant over the past 2-5 years. To him, this rate is an indication that business conditions on Chestnut Street are "pretty healthy," particularly when compared to the citywide vacancy rate, which as he last recalls was 5%.

## Zoning Controls

### Merchant

The new merchant interviewee says she is not aware of any special zoning laws.

### Merchant

The established merchant interviewee has mixed feelings about the proposed zoning controls. He opposes those controls that limit upper story conversion of housing to commercial because "if a district is zoned commercial it should be commercial ... it should allow commercial uses." To him, housing loses its attraction and desirability as commercial activity in an area increases and intensifies. He thinks using the proposed controls to protect existing housing is a "half-hearted" way to deal with the city's real housing problems. On the other hand, he supports to some extent those controls which limit certain uses, e.g. restaurants, where there is already an overabundance of these uses. He thinks it is good to control proliferating uses, but "you will need an artist to weave the right texture for a given community."

### Realtor

The realtor interviewee says:

"I am the wrong person to ask. I am a free market advocate. If you leave the market alone, it will purge itself. I would not impose artificial controls on the market place. I think they disrupt the market."

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zonings for the various locations proposed for NC-2 zoning include the following classifications: C-1, C-2, or RC-2. Chestnut Street is currently C-2 zoned. The proposed zoning is reflective of the existing physical characteristics of these locations.

### Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and the proposed zoning. However, the proposed NC-2 zoning controls, as shown on Table 7, are more restrictive in Floor Area Ratio requirements for commercial space. Under the existing zoning the maximum Floor Area Ratio is 3.6 to 1. The proposed zoning reduces this ratio to 1.75 to 1.

### Other Restrictions on Scale of Development

The proposed controls are also more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning, Conditional Use authorization is required for all development on lots of 10,000 square feet or more and for all non-residential development with a use size of 3500 square feet or more. The proposed zoning also is more restrictive in rear yard requirements. It requires rear yard set backs at the second story and above and at all residential levels while the existing zoning requires rear yards at residential levels only.

### Restrictions of Type of Use and Use by Story

The proposed NC-2 zoning is more restrictive than the existing C-2 zoning in types of use and use by story. Commercial uses which are permitted by right as a Principal Use on all floors under C-2 zoning are limited to the first and second floors under the proposed zoning. More specifically, eating and drinking, financial service, entertainment uses, and other retail uses are restricted to the ground floor.

In three locations (Taraval Street, Irving Street, and Ocean Avenue), additional prohibitions are placed on restaurants and/or fast food establishments. Offices are allowed on the second floor only if a conditional use permit for conversions of existing housing is approved and the project conforms to all scale of development requirements. Non-residential uses at the third floor and above are generally prohibited under the proposed zoning.

### Housing Controls and Other Requirements

The proposed zoning is also more restrictive on housing demolitions and conversions. It requires Conditional Use permission for housing demolition on all floors and for housing conversions at the second floor. Housing conversion is permitted by right at the ground floor and prohibited above the second floor. No such restrictions exist under the C-2 zoning. There is no



SEC. 711.  
SMALL-SCALE NEIGHBORHOOD COMMERCIAL DISTRICT  
NC-2 ZONING CONTROL TABLE

TABLE 7

SEC. 711.			
NC-2			
No.	Zoning Category	\$ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	Generally, 40-X See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 9999 sq. ft., C 10,000 sq. ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.75 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 3499 sq. ft., C 3500 sq. ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq. ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq. ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(e)1
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

		Controls by Story		
		1st	2nd	3rd +
.38	Residential Conversion	§ 790.118	P	C
.39	Residential Demolition	§ 790.86	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	P
.41	Bar	§ 790.22	P	
.42	Full-Service Restaurant	§ 790.92	P #	
.43	Small Fast Food Restaurant	§ 790.90	P #	
.44	Large Fast Food Restaurant	§ 790.91	C #	
.45	Take-Out Food	§ 790.122	C	
.46	Movie Theater	§ 790.64	P	
.47	Adult Entertainment	§ 790.36		
.48	Other Entertainment	§ 790.38	P	
.49	Financial Service	§ 790.110	P	
.50	Limited Financial Service	§ 790.112	P	
.51	Medical Service	§ 790.114	P	P
.52	Personal Service	§ 790.116	P	P
.53	Business or Professional Service	§ 790.108	P	P
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C	
.55	Tourist Hotel	§ 790.46	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C

SEC. 711.					
NC-2					
Controls by Story					
No.	Zoning Category	\$ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14	C		
.58	Automotive Service Station	§ 790.17	C		
.59	Automotive Repair	§ 790.15	C		
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P #	C #	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 800 sq. ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 275 sq. ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 100 sq. ft. if private, or 133 sq. ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

**SPECIFIC PROVISIONS FOR NC-2 DISTRICTS**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 711.42 § 711.43 § 711.44	§ 781.1	<b>TARAVAL STREET RESTAURANT AND FAST FOOD SUB-DISTRICT</b>  <u>Boundaries:</u> Applicable only for the Taraval Street NC-2 district between 12th and 36th Avenues as mapped on Sectional Maps 5 SU and 6 SU  <u>Controls:</u> Full-Service Restaurants and Small Fast Food Restaurants are C; Large Fast Food Restaurants are NP
§ 711.42 § 711.43 § 711.44	§ 781.2	<b>IRVING STREET RESTAURANT AND FAST FOOD SUB-DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Irving Street NC-2 district between 19th and 27th Avenues as mapped on Sectional Map 5 SU  <u>Controls:</u> Small Fast Food Restaurants are C; Full-Service Restaurants and Large Fast Food Restaurants are NP
§ 711.43 § 711.44	§ 781.3	<b>OCEAN AVENUE FAST FOOD SUB-DISTRICT</b>  <u>Boundaries:</u> Applicable only for the Ocean Avenue NC-2 District from Manor Drive to Phelan Avenue as mapped on Sectional Map 12 SU  <u>Controls:</u> Small Fast Food Restaurants and Large Fast Food Restaurants are NP
§ 711.65	§ 236	<b>GARMENT SHOP SPECIAL USE DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Pacific Avenue NC-2 District east of Hyde Street as mapped on Sectional Map 1 SU  <u>Controls:</u> Garment Shops are P at the 1st and 2nd stories

difference between the existing C-2 zoning and the proposed NC-2 zoning in housing density standards. Both generally permit 1 unit per 800 square feet of lot area. The proposed zoning also limits late-night activity, drive-up facilities, and many automobile uses, not restricted by the existing zoning.

### Physical Development Estimates

Table 8 shows the differences in physical development that could result from the differences between the existing C-2 and proposed NC-2 zoning for Chestnut Street. Essentially what these estimates indicate is very little difference in future physical development between the existing C-2 zoning and the proposed NC-2 zoning for Chestnut Street. Over the ten-year future covered in the estimates, the volume of potential commercial space under the proposed zoning is only 1600 square feet less than that under the existing zoning. Moreover, this difference occurs only in the office sector. Potential growth in eating and drinking and retail uses is the same under both zonings. There is also a slight difference in housing. A gain of one unit is estimated under the proposed zoning, while a loss of two units is estimated under the current zoning.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

Chestnut Street is one of the more intense NC-2 districts. It has continuous ground-floor commercial frontage on most blocks, yet it retains a neighborhood orientation and market size. The physical development estimates for Chestnut Street show that the potential economic impact attributable to zoning differences is insignificant. The limited economic significance of the proposed NC-2 zoning is consistent with the limited physical scale and neighborhood orientation of the area itself.

Physical development estimates also indicate that the proposed zoning could lead to a slight curtailment in office growth over the next ten years. Office uses, however, are not a major activity along Chestnut Street. Moreover, the district is not in a commanding market position to attract office growth from nearby Lombard and Union Streets, which have a greater concentration of offices and supporting commercial services. Despite the upscale commercial growth over recent years, Chestnut Street remains a commercial strip with a neighborhood market orientation. The proposed NC-2 controls would help to reinforce the stability that already exists on the street.

### Economic Implications of Community Observations

Interviews with merchants and a realtor reveal a mixture of concern and satisfaction regarding the recent commercial growth occurring on Chestnut



TABLE 8  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NC-2 NEIGHBORHOOD COMMERCIAL DISTRICT  
Chestnut Street

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	62,800	206,100	21,900	290,900	41,200	8,900	341,000	358,700 (449)	699,700
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+1,600	+4,300	+1,700	+7,600	0	0	+7,600	+9,800 (+8)	+17,400
Conversions of Use	0	0	+12,300	+12,300	0	0	+12,300	-12,300 (-10)	0
<b>Total Change</b>	<b>+1,600</b>	<b>+4,300</b>	<b>+14,100</b>	<b>+19,900</b>	<b>0</b>	<b>0</b>	<b>+19,900</b>	<b>-2,500 (-2)</b>	<b>+17,400</b>
Potential Land Use	64,400	210,400	36,000	310,800	41,200	8,900	360,900	356,200 (447)	717,100
% Change-Land Use	+3%	+2%	+64%	+7%	0%	0%	+6%	-1% -1%	+2%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+1,600	+4,300	+1,700	+7,600	0	0	+7,600	+9,800 (+8)	+17,400
Conversions of Use	0	0	+10,600	+10,600	0	0	+10,600	-10,600 (-7)	0
<b>Total Change</b>	<b>+1,600</b>	<b>+4,300</b>	<b>+12,300</b>	<b>+18,300</b>	<b>0</b>	<b>0</b>	<b>+18,300</b>	<b>-800 (+1)</b>	<b>+17,400</b>
Potential Land Use	64,400	210,400	34,200	309,200	41,200	8,900	359,300	357,900 (450)	717,100
% Change-Land Use	+3%	+2%	+56%	+6%	0%	0%	+5%	0% 0%	+2%

NOTES: <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

Street.. On the one hand, there is concern about increasing rents associated with displacement of neighborhood businesses by 'trendy' small shops and franchise stores. On the other hand, there is some satisfaction about the increased popularity of the district which has brought more pedestrian traffic and hence greater potential patronage for businesses. This suggests that rent increases have occurred because the volume of trade has increased for most businesses.

The important question is the degree to which these two tendencies balance out, whether the increase in potential business brought about by more pedestrian traffic generates enough additional earnings to accommodate the increases in rent levels. There is no available data to resolve this question, but field interviews and observations suggest that despite the tensions and adjustments associated with the recent growth on Chestnut Street, its economy remains healthy and stable. If the increases in mean asking rents are limited to 5% a year as indicated by the realtor interviewee, the district should remain economically healthy and not suffer the kinds of growth problems which affect those neighborhood commercial districts in the city which serve larger, less neighborhood commercial market areas.

Moreover, in regard to the concern expressed by one interviewee that real estate interests have targeted Chestnut Street a prime area for commercial real estate investment, the proposed controls address this concern. They help to assure that new development on Chestnut Street will conform to the character of existing development and thereby deter potential investors from seeking growth opportunities incompatible with this character.

## ASSESSMENT

The above analysis of the Chestnut Street Neighborhood Commercial District as a representative example of the proposed NC-2 districts supports the following conclusions:

- The restrictions under the proposed NC-2 zoning are not likely to have adverse economic impact on the commercial districts covered by this zoning.
- Physical development estimates for Chestnut Street reveal very little differences between the proposed NC-2 zoning and the existing C-2 zoning in potential physical development and in the economic significance that can be attributed to zoning changes.
- Most NC-2 districts are limited by existing physical structure and market orientation from absorbing large amounts of new growth, regardless of differences between the existing and proposed zonings.
- The primary economic effect of the proposed zoning would be to reinforce the stability that already exists in the NC-2 districts by helping to assure that new development is compatible with existing development.



- The proposed restrictions on additional eating and drinking on Taraval, Irving, and Ocean Avenue could exert some inflationary pressure on such space in those districts, but this effect would be offset by stabilizing business conditions for existing eating, drinking and entertainment establishments and maintaining the supply of space for neighborhood-serving retail activity.

## NC-3 -- MODERATE-SCALE NEIGHBORHOOD COMMERCIAL DISTRICTS

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

The proposed NC-3 districts vary in size and scale but generally include intensely developed linear neighborhood commercial areas. Large-scale lots and buildings and wide streets distinguish the NC-3 districts from smaller-scale commercial streets, although small and moderately-scaled buildings and lots can also be found scattered throughout NC-3 districts. Most structures stand two to four stories in height with some higher structures and some lower one-story buildings. Wide streets and a mix of one-story buildings interspersed among three and four-story buildings creates a horizontal orientation for many of these districts. Also, the buildings typically occupy all of the lot areas, leaving no rear yard setbacks.

Compared with other districts categories, NC-3 districts have few upper-story residential uses and a higher proportion of fully commercial buildings. They provide a wide range of commercial uses, including all types of retail, personal, medical, business and professional service uses. They also have more automobile-oriented uses, such as repair garages, gas stations, and fast food establishments than do the smaller districts. Accordingly, they serve a population greater than the immediate area and in some cases draw customers from throughout the city.

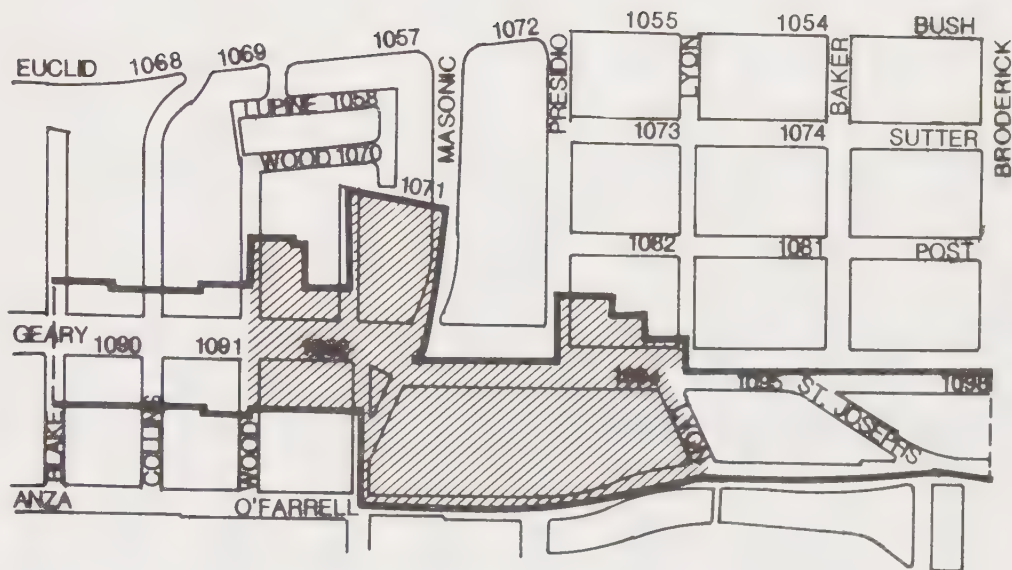
Most NC-3 districts are economically vital with some pockets of relative inactivity. Since they are typically long districts, the extent of vacancies varies over their lengths. Nonetheless, given their larger multi-neighborhood or citywide market orientation, they generally command a strong customer demand with low vacancy rates.

The NC-3 district selected as a representative example is Geary Boulevard from Lyon Street to 26th Avenue. Three distinct sections of Geary Boulevard are analyzed: Lyon to Wood Streets; 4th to 10th Avenues; and 16th to 26th Avenues. Each of these sections exhibits a different mixture of land uses and development densities within an overall appearance of strong economic vitality.

According to a local realtor, average asking monthly rents for ground-story retail storefronts in the district range from \$1.00 to \$3.00 per square foot. Upper-story asking rents are estimated at \$.85 to \$1.00 per square foot. Rents have risen approximately 25% in the last two years and 50% in the last five. This suggests that the district has experienced strong turnover of commercial tenants and/or increase in business activity.

**Lyon to Wood Streets:** Centered around the heavily trafficked intersection of Geary Boulevard and Masonic Avenue, this four-block section is dominated by major commercial and institutional uses, as well as some smaller businesses, residences, and some vacant lots. The large commercial and institutional uses, such as Sears, Kaiser Medical Center, and Garden Sullivan Hospital, draw patronage from throughout the city. The district is served by several bus lines, including the 38-Geary and 43-Masonic. Both Geary Boulevard and Masonic Avenue serve as major arterials carrying heavy volumes of automobile traffic east-west and north-south, respectively.



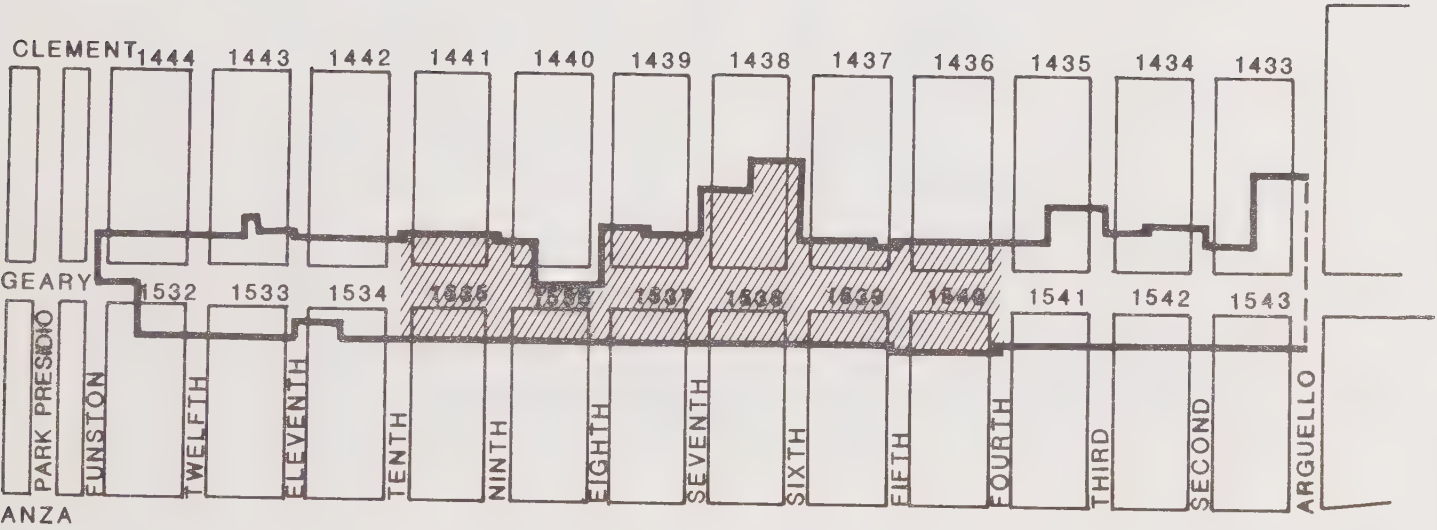


## GEARY Lyon - Wood PROPOSED ZONING

— NC-3 BOUNDARY  
 /// SOFT-SITE STUDY AREA

Map 3





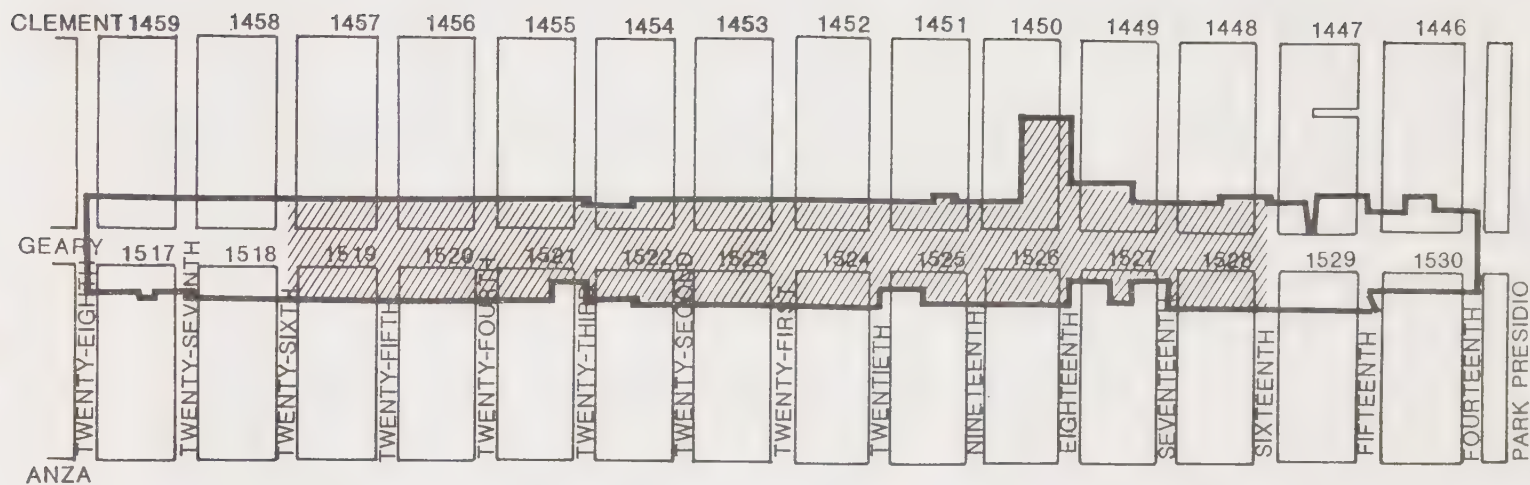
# **GEARY 4th - 10th PROPOSED ZONING**

— NC-3 BOUNDARY  
 /// SOFT-SITE STUDY AREA

**Map 4**







## GEARY 16th - 26th PROPOSED ZONING

— NC-3 BOUNDARY  
 /// SOFT-SITE STUDY AREA

Map 5



4th to 10th Avenues: Centered around the high-volume intersection at 6th Avenue and Geary, this six-block section contains a few large commercial and institutional uses, as well as several small-scale commercial uses. The large commercial and institutional uses, such as Cala Foods supermarket and French Hospital, draw patronage from throughout the Richmond district and the city. The many smaller businesses include restaurants, banks, automotive uses, offices and specialty retail stores, some in buildings with housing in the upper stories. The district is well-served by the 38-Geary bus lines and the 44-O'Shaughnessy which crosses Geary Boulevard at 6th Avenue. Heavy volumes of automobile traffic move daily through the boulevard's six lanes. The district has minor parking problems due largely to spillover demand from the hospital and nearby Clement Street.

16th to 26th Avenues: This nine-block section is characterized by a mix of small and moderate-scale commercial uses. Most commercial activity is located around the intersections of Geary with 18th and 25th Avenues. The intensity of commercial activity is less than in the 4th to 10th Avenue section. A wide variety of retail stores and services, and several financial services, many of them in single-story commercial buildings, cater to the wider Richmond district and city. A few of the buildings contain apartments or flats in the upper stories. The district is well-served by the 38-Geary and the 29-Sunset bus lines, and carries heavy volumes of automobile traffic. The district experiences some parking problems due to spillover demand from Clement Street and to diagonal parking which sometimes interferes with traffic circulation.

## OBSERVATIONS ON CURRENT TRENDS

Six interviews were conducted in the Geary Boulevard (NC-3) commercial district. Interviewees include 5 merchants and 1 realtor. Their observations cover the following topics: change on Geary Boulevard, market area, rent levels, and zoning controls. Most of the interviewees are from the 16th Avenue to 26th Avenue section of Geary Boulevard where most of the small-scale business activity is located.

### Change On Geary Boulevard

#### Merchant

A merchant operating a business services outlet on Geary Boulevard since 1967 says that traffic congestion has become worse and parking more difficult. In regard to business turnover on Geary Boulevard, the interviewee says that only a few stores have left. Some years ago service stations began disappearing which was viewed by merchants as a good thing. She observes that video outlets are "popping up" all over but believes this will settle down once the newness wears off. The chain stores on the street, e.g. Walgreens, Merrills, Sears, Pier 1 Imports, have been there for many years. She thinks they help to upgrade the area.

#### Merchant

A merchant who has operated a retail outlet on Geary Boulevard since 1966 observes that several stores have closed recently, including a music store, a delicatessen, and a store selling articles for children. He says that many small independent retail stores are leaving, primarily as a result of escalating rents and competition. The deli was forced out when Cala

Supermarket started a 24-hour operation, taking away the night business that was the deli's mainstay. Restaurants are the only businesses moving into the area. He points to two across the street that have recently arrived. According to him, no single event has produced dramatic change in the district, and business turnover has been gradual. He also notes that parking has become a problem. Traffic has increased noticeably, and several intersections, particularly Geary at 25th and 26th Avenues, have become dangerous for pedestrians.

#### **Merchant**

A merchant who seven years ago bought a retail outlet that has been on Geary Boulevard since 1918 observes that a number of small retail businesses have left in the last few years. He thinks these businesses have been displaced by the influx of restaurants on the street over recent years. He adds that the business climate has become worse as banks are now unwilling to give commercial loans to small businesses. Even with the many years of operation sustained by his business, he has a difficult time obtaining financing. He also thinks increasing rents everywhere are a major problem, citing the Sunset and North Beach districts as examples.

#### **Merchant**

A merchant who has operated a restaurant and retail outlet on Geary Boulevard for over 10 years thinks the business climate is better with a lot of people moving into the area. He does express concern that there are too many restaurants. He says competition is reaching a point where it is very difficult to succeed in the restaurant business on Geary. He consolidated his restaurant and retail outlet into one space in order to cut costs and become "more competitive." Without this consolidation, he thinks he eventually would have had to close his restaurant because of a lack of business.

#### **Market Area**

##### **Merchant**

The operator of the business services outlet says her business is not neighborhood oriented. It serves businesses all over the Bay Area much as a Downtown business would. Customers come to the district specifically for the services her business provides.

##### **Merchant**

The operator of a general retail outlet says his business primarily serves the immediate area. Virtually all of his customers are walk-in patrons who live nearby and who have been coming to his store for years.

##### **Merchant**

The operator of a specialized retail outlet says his market is not local. His business has a nationwide reputation with customers coming from different parts of the world. Virtually all of his customers come in for a fitting of the apparel items he sells, although he will take orders by phone. He mentions that he does not advertise, but his business generally receives feature articles in the national and local press and on television several times during the course of the year.



## Rent Levels

### Merchant

The merchant who operates a combined restaurant and retail space says his rent is \$3,000 a month for 2800 square feet. He has a ten-year lease with a ten-year option, and considers the rent and terms of the lease to be reasonable.

### Merchant

The operator of a specialized retail outlet says he pays a flat rent on a month-to-month basis. He says his rent has tripled in the last seven years and believes his situation is comparable to that of other small businesses in the area.

### Realtor

The realtor interviewee mentions that some landlords raise their rents and seek new tenants without regard for the potential tenant's ability to stay in business and fulfill the lease, thereby increasing the number of turnovers and vacancies as one new business follows the next in the same space. This pattern has evolved over the last 3 to 5 years. According to this interviewee, the typical lease is one with pass-throughs to the tenant for utilities, improvements etc. and with annual increases based on the cost of living index. This differs from five years ago when longer leases without the pass-throughs were customary. He says owners do not want to get stuck with long term leases as long as they expect rents to rise in the future. To him, this is unwise since many of the tenants cannot afford the increase and fail. When they do, the stores remain vacant for long periods. He expects the vacancy rate to increase as a result. His advice to clients seeking space in the district is to take over an existing lease rather than open a new business under a new lease. He does not cite any instances of his clients being forced to look elsewhere because they can't find space on Geary, but notes that nearby Balboa Street now has a low vacancy rate whereas traditionally its commercial space was never more than two thirds full.

## Zoning Controls

### Merchant

The operator of a business services outlet says she is fully aware of the fast-food moratorium on Outer Geary and the proposed neighborhood commercial rezoning. She is completely opposed to downzoning and believes residential units in commercial districts should be allowed to convert to commercial space. She believes restrictions on conversions force rents upwards.

### Merchant

The operator of a general retail outlet is aware of the proposed neighborhood commercial rezoning and the fast food moratorium, particularly its effect in delaying the construction of a new McDonalds restaurant in the area. Otherwise he does not see where the controls have had any effect. He opposed the McDonalds because of the dangerous intersection at the location it sought; otherwise he has no objections to large fast food restaurants along Geary Boulevard.

#### **Merchant**

The merchant who operates a combined restaurant and retail business expresses support for any zoning efforts to limit new eating and drinking activity because of the proliferation of restaurants that already exist on Geary.

#### **Merchant**

The operator of a retail outlet says she is very familiar with zoning issues. She thinks the proposed zoning for Geary should place a permanent moratorium on large fast food restaurants. Her primary concern is that fast food restaurants will increase traffic congestion and loitering and littering problems brought about by the young people who patronize them.

#### **Realtor**

The realtor is aware of the proposed rezoning, but does not expect any effect from them.

### **DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING**

The existing permanent zoning for the various NC-3 locations, including Geary Boulevard, is C-2 (Community Business). The proposed NC-3 controls, as shown in Table 9, are designed to address the needs of large-scale diverse commercial districts providing a wide range of uses and to bring the zoning into conformity with the existing physical characteristics of these districts.

The proposed NC-3 zoning is similar to the existing C-2 zoning. Height Limits and Floor Area Ratios are the same under both zonings. The primary differences are in use controls by story. The proposed controls restrict certain uses, eating and drinking, entertainment, and financial services to the first two stories, which the existing controls permit on all stories. Large fast food restaurants and take-out food outlets require Conditional Use authorization under the proposed controls. Housing and institutional uses are permitted at all stories by both NC-3 zoning and C-2 zoning.

The proposed zoning has some requirements which do not exist under the current zoning. It prohibits residential conversion above the second story and requires Conditional Use review for new development on lots of 10,000 square feet or more and for new commercial uses of 5000 square feet or more. In two NC-3 districts, along portions of Geary Blvd. and Mission Street, additional restrictions are placed on fast-food restaurants.

### **Physical Development Estimates**

Estimates of potential development by existing and proposed zoning have been prepared for three sections of the Geary Boulevard NC-3 district. Estimates for the Lyon to Wood Streets section are shown in Table 10. Estimates for the 4th to 10th Avenues section are shown in Table 11, and estimates for the 16th to 26th Avenues section of Geary Boulevard are shown in Table 12.

Generally there is little difference between the proposed NC-3 zoning and the existing C-2 zoning. Accordingly, the physical development estimates show no or relatively slight differences in potential development for most of the Geary Boulevard NC-3 district, with two exceptions. First, between 16th and

**SEC. 712.  
MODERATE-SCALE NEIGHBORHOOD COMMERCIAL DISTRICT  
NC-3 ZONING CONTROL TABLE**

**TABLE 9**

			SEC. 712.
			NC-3
No.	Zoning Category	\$ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	Generally, 40-X See Zoning Map
.11	Lot Size (Per Development)	§§ 790.56, 121.1	P up to 9999 sq.ft., C 10,000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at residential levels only § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P
.15	Canopy	§ 790.26	§ 136.1(a)
.16	Marquee	§ 790.58	P
.17	Street Trees		§ 136.1(b) § 136.1(c) Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	3.6 to 1 § 124(a)(b)
.21	Use Size (Non-Residential)	§ 790.130	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	No Limit
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P # § 607.1(e)2
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P # § 607.1(f)3
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P # § 607.1(c)(d)(g)

			SEC. 712.
			NC-3
			Controls by Story
No.	Zoning Category	\$ References	1st 2nd 3rd +
.57	Automotive Gas Station	§ 790.14	C
.58	Automotive Service Station	§ 790.17	C
.59	Automotive Repair	§ 790.15	C C
.60	Automotive Wash	§ 790.18	C
.61	Automobile Sale or Rental	§ 790.12	C
.62	Animal Hospital	§ 790.6	C C
.63	Ambulance Service	§ 790.2	C
.64	Mortuary	§ 790.62	C C C
.65	Trade Shop	§ 790.124	P C C
.66	Storage	§ 790.117	C C C

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106	C C C
.80	Hospital or Medical Center	§ 790.44	C C C
.81	Other Institutions	§ 790.50	P P P
.82	Public Use	§ 790.80	C C C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P P P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)
.95	Community Residential Parking	§ 790.10	C C C

**SPECIFIC PROVISIONS FOR NC-3 DISTRICTS**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 712.30 § 712.31 § 712.32	§ 608.8	<b>MARKET STREET SPECIAL SIGN DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Market Street NC-3 District from Franklin to Octavia Streets as mapped on Sectional Map SSD  <u>Controls:</u> Special restrictions and limitations for signs
§ 712.30 § 712.31 § 712.32	§ 608.10	<b>UPPER MARKET STREET SPECIAL SIGN DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Market Street NC-3 District from Octavia to Church Streets as mapped on Sectional Map SSD  <u>Controls:</u> Special restrictions and limitations for signs
§ 712.44	§ 781.4	<b>GEARY BOULEVARD FAST FOOD SUB-DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Geary Boulevard NC-3 District between 14th and 28th Avenues as mapped on Sectional Maps 3 SU and 4 SU  <u>Controls:</u> Large Fast Food Restaurants are NP
§ 712.43 § 712.44	§ 781.5	<b>MISSION STREET FAST FOOD SUB-DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Mission Street NC-3 District between 14th and Randall Streets as mapped on Sectional Map 7 SU  <u>Controls:</u> Small Fast Food Restaurants are C; Large Fast Food Restaurants are NP

			Controls by Story
			1st 2nd 3rd +
.38	Residential Conversion	§ 790.118	P C
.39	Residential Demolition	§ 790.84	C C C

**Retail Sales and Services**

.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P P P
.41	Bar	§ 790.22	P P
.42	Full-Service Restaurant	§ 790.92	P P
.43	Small Fast Food Restaurant	§ 790.90	P # P #
.44	Large Fast Food Restaurant	§ 790.91	C # C #
.45	Take-Out Food	§ 790.122	C C
.46	Movie Theater	§ 790.64	P P
.47	Adult Entertainment	§ 790.36	C C
.48	Other Entertainment	§ 790.38	P P
.49	Financial Service	§ 790.110	P P
.50	Limited Financial Service	§ 790.112	P P
.51	Medical Service	§ 790.114	P P P
.52	Personal Service	§ 790.116	P P P
.53	Business or Professional Service	§ 790.108	P P P
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C C
.55	Tourist Hotel	§ 790.46	C C C
.56	Automobile Parking	§§ 790.8, 156, 160	C C C



TABLE 10  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NC-3 NEIGHBORHOOD COMMERCIAL DISTRICT  
Geary Boulevard, Lyon to Wood Streets

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	3,900	266,300	600	270,800	323,400	9,900	604,100	49,400 (37)	653,500
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+400	+2,700	+9,400	+12,500	-9,400	0	+3,100	0 (0)	+3,100
Conversions of Use	+300	+1,900	0	+2,200	-2,200	0	0	0 (0)	0
<b>Total Change</b>	<b>+700</b>	<b>+4,600</b>	<b>+9,400</b>	<b>+14,700</b>	<b>-11,600</b>	<b>0</b>	<b>+3,100</b>	<b>0 (0)</b>	<b>+3,100</b>
Potential Land Use	4,600	270,900	10,000	285,500	311,800	9,900	607,200	49,400 (37)	656,600
% Change-Land Use	+18%	+2%	+1,566%	+5%	-4%	0%	+1%	0% 0%	0%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+400	+2,700	+9,400	+12,500	-9,400	0	+3,100	0 (0)	+3,100
Conversions of Use	+300	+1,900	0	+2,200	-2,200	0	0	0 (0)	0
<b>Total Change</b>	<b>+700</b>	<b>+4,600</b>	<b>+9,400</b>	<b>+14,700</b>	<b>-11,600</b>	<b>0</b>	<b>+3,100</b>	<b>0 (0)</b>	<b>+3,100</b>
Potential Land Use	4,600	270,900	10,000	285,500	311,800	9,900	607,200	49,400 (37)	656,600
% Change-Land Use	+18%	+2%	+1,566%	+5%	-4%	0%	+1%	0% 0%	0%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

TABLE 11  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NC-3 NEIGHBORHOOD COMMERCIAL DISTRICT  
Geary Boulevard, 4th to 10th Avenues

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	26,700	136,900	29,400	193,000	123,700	17,200	333,900	78,000 (67)	411,900
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+2,700	+16,600	+16,500	+35,800	-22,200	-8,900	+4,700	+6,600 (+8)	+11,300
Conversions of Use	+1,600	+9,600	+2,700	+13,900	-8,400	0	+5,500	-2,700 (-2)	+2,800
<b>Total Change</b>	<b>+4,300</b>	<b>+26,200</b>	<b>+19,200</b>	<b>+49,700</b>	<b>-30,600</b>	<b>-8,900</b>	<b>+10,200</b>	<b>+3,900 (+6)</b>	<b>+14,100</b>
Potential Land Use	31,000	163,100	48,600	242,700	93,100	8,300	334,100	82,900 (73)	426,000
% Change-Land Use	+16%	+19%	+65%	+26%	-25%	-52%	+3%	+5% +9%	+3%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+2,400	+14,900	+16,500	+33,900	-27,100	-8,900	-2,100	+25,900 (+31)	+23,800
Conversions of Use	+900	+5,300	+2,700	+8,900	-3,500	0	+5,400	-2,700 (-2)	+2,700
<b>Total Change</b>	<b>+3,300</b>	<b>+20,200</b>	<b>+19,200</b>	<b>+42,800</b>	<b>-30,600</b>	<b>-8,900</b>	<b>+3,300</b>	<b>+23,200 (+29)</b>	<b>+26,500</b>
Potential Land Use	30,000	157,100	48,600	235,800	93,100	8,300	337,200	101,200 (96)	438,400
% Change-Land Use	+12%	+15%	+65%	+22%	-25%	-52%	+1%	+30% +43%	+6%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

TABLE 12  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NC-3 NEIGHBORHOOD COMMERCIAL DISTRICT  
Geary Boulevard, 16th to 26th Avenues

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other<sup>1</sup></u>	<u>- 6 -</u> <u>Vacant<sup>2</sup></u>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	68,800	276,000	26,100	370,900	46,300	14,900	432,100	130,200 (138)	562,300
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+6,400	+26,300	+38,200	+70,800	-39,000	-10,900	+20,900	0 (0)	+20,900
Conversions of Use	0	0	+21,700	+21,700	0	0	+21,700	-21,700 (-21)	0
<b>Total Change</b>	<b>+6,400</b>	<b>+26,300</b>	<b>+59,900</b>	<b>+92,500</b>	<b>-39,000</b>	<b>-10,900</b>	<b>+42,600</b>	<b>-21,700 (-21)</b>	<b>+20,950</b>
Potential Land Use	75,200	302,300	86,000	463,400	7,300	4,000	474,700	108,500 (117)	583,200
<b>% Change-Land Use</b>	<b>+9%</b>	<b>+10%</b>	<b>+230%</b>	<b>+25%</b>	<b>-84%</b>	<b>-73%</b>	<b>+10%</b>	<b>-17% -15%</b>	<b>+4%</b>
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+5,700	+30,100	+22,200	+57,900	-39,000	-10,900	+8,000	+24,000 (+26)	+32,000
Conversions of Use	0	0	+14,600	+14,600	0	0	+14,600	-14,600 (-17)	0
<b>Total Change</b>	<b>+5,700</b>	<b>+30,100</b>	<b>+36,800</b>	<b>+72,500</b>	<b>-39,000</b>	<b>-10,900</b>	<b>+22,600</b>	<b>+9,400 (+9)</b>	<b>+32,000</b>
Potential Land Use	74,500	306,100	62,900	443,400	7,300	4,000	454,700	139,600 (147)	594,300
<b>% Change-Land Use</b>	<b>+8%</b>	<b>+11%</b>	<b>+141%</b>	<b>+20%</b>	<b>-84%</b>	<b>-73%</b>	<b>+5%</b>	<b>+6% +7%</b>	<b>+6%</b>

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



26th Avenues, the amount of new office space estimated under the proposed zoning is significantly less than that estimated under the existing zoning. Second, between 4th-10th and 16th-26th Avenues, the proposed zoning is estimated to result in the construction of additional housing.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The NC-3 controls limit retail uses to the first two stories. The economic implications of this restriction are not significant because there is little demand for retail space above the second story.

Because the proposed zoning discourages the conversion of upper story dwelling units to office space, less office space would be added to the district, and most of it would be added through new construction rather than conversion. The newly constructed office space would have higher rents than existing or converted space. If demand for office space in this district were exceptionally strong, a restricted supply combined with new construction costs, could raise office rents even higher. However, strong demand for office space in this district is not evident at present or anticipated; therefore the proposed zoning should not produce significant adverse economic effects in this sector.

For large-scale projects involving 5000 square feet or more of lot area, Conditional Use authorization is required under the NC-3 zoning, while no such requirement exists under the C-2 zoning. When Conditional Use review is required for large projects, upper-story housing will be encouraged and may be required for project approval.

If housing demand (and potential rent) is sufficient to justify construction costs, the proposed zoning will result in mixed-use development. Because required residential parking would be located at the rear of the ground story, somewhat less ground story retail space could be fit onto the site. However, the tendency for this to increase commercial rent would be offset by the income for the residential units above.

On the other hand, if housing demand could not justify construction, new development might be delayed until market conditions changed. In this case, existing commercial space would be retained in the short run and commercial rents would not be affected.

### Economic Implication of Community Observations

Interviews with merchants and a realtor in the Geary Street commercial district support the conclusion that major economic impacts would not result from the proposed zoning controls. The interviews confirm the multi-tiered structure of Geary Boulevard as an NC-3 district, serving neighborhood, citywide, and regional markets. The interviews also reveal escalating rents are an issue of some concern, but this concern is not specifically related to zoning controls.

Some interviewees worry about the proliferation of eating and drinking uses in the district and see a need to restrict fast food restaurants. These concerns are addressed by provisions under the proposed controls which require conditional use review for certain eating and drinking activity. A specific provision for a Geary Boulevard Fast Food Sub-District which prohibits large fast food restaurants along Geary Boulevard between 14th and 28th Avenues addresses this concern.

## ASSESSMENT

The above analysis of the Geary Boulevard Neighborhood Commercial District as a representative example of the proposed NC-3 districts supports the following conclusions:

- The proposed zoning is not likely to have significant effect on the amount of new development in NC-3 districts since the controls are similar to the existing C-2 zoning in most respects.
- If large-scale developments are required to include housing on upper stories, strong market demand for housing would allow new mixed-use development to proceed without negative effects on the feasibility of new construction. However, weak market demand for new housing could delay new commercial development on large lots in the short run.
- Outside of these limited special cases involving new large-scale projects, physical development estimates and interview data tend to support the assessment that potential economic impacts of the proposed NC-3 zoning are relatively insignificant.

## NC-S -- NEIGHBORHOOD COMMERCIAL SHOPPING CENTER DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

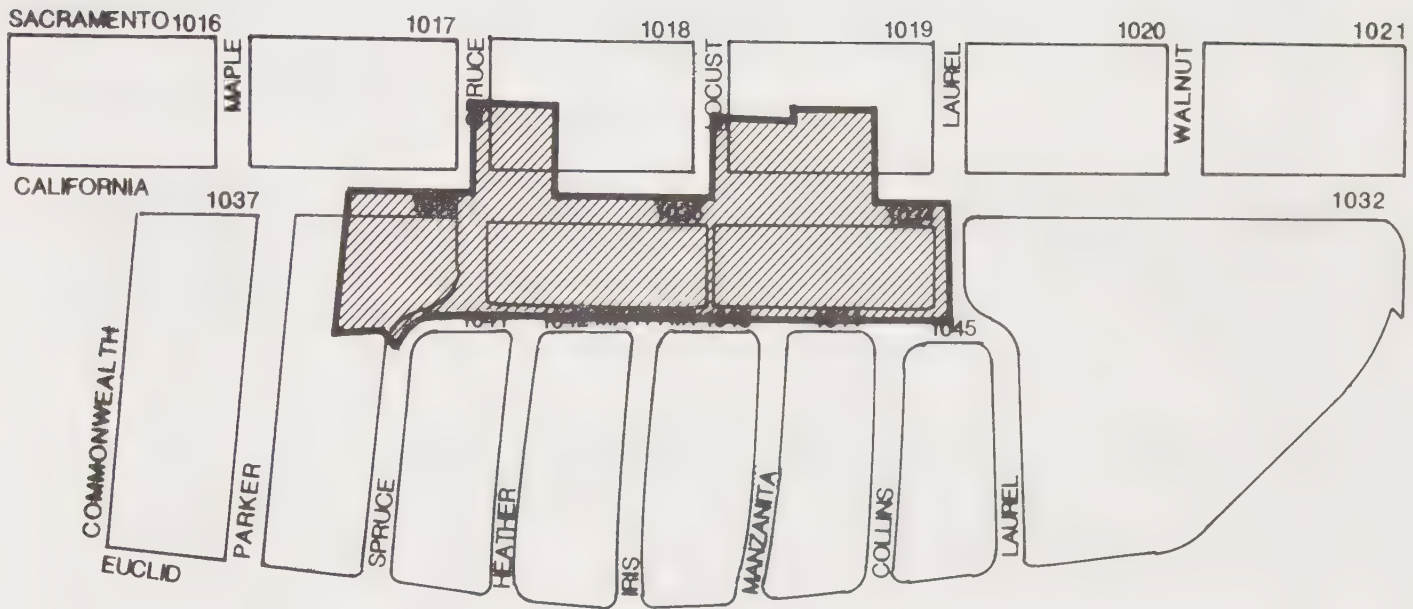
NC-S zoning is proposed for small shopping centers or supermarket sites, generally ranging in size from a single lot to two or three blocks. They commonly contain single-story commercial buildings, with at least one "anchor" store or supermarket which draws the bulk of its customers. The buildings are frequently set back from the street edge and often have a parking lot. These districts include some of the most recent retail development in San Francisco's neighborhoods and serve as an alternative to the linear shopping street.

The NC-S districts typically contain retail and personal service uses with no housing. They primarily provide convenience and some comparison goods and services to auto-oriented shoppers from the surrounding neighborhoods. Some districts also have small medical office buildings. As a rule, these districts do not serve a citywide clientele. The economic viability of the proposed NC-S districts varies depending on the physical condition of their buildings, location, extent of competition from other commercial districts in the area, and aggressiveness of the merchants. The availability of parking gives NC-S districts a certain market advantage, but the other factors cited are also important in determining economic viability.

The shopping center selected as a representative example of an NC-S district is Laurel Village located on California Street between Laurel and Parker Streets. Laurel Village shopping center is three blocks in length and contains a series of one-story commercial buildings between Laurel and Spruce Streets on the south side of California Street. These buildings abut private parking occupying the rear half of the lots, with a few single and two-story medical office buildings between Spruce and Parker Streets. Proximity to the affluent Laurel Heights and Presidio Heights communities and to vehicular and pedestrian traffic generated by California Street and the 1-California MUNI bus lines give the center a potentially strong economic market. The center also draws from nearby Children's Hospital, Marshall Hale Memorial Hospital and University of California at San Francisco facilities. In addition, it is within a few blocks of the Sacramento Street commercial district and another smaller NC-2 district on California Street between Presidio Avenue and Lyon Street.

According to a survey conducted in August 1984, Laurel Village contains 59 commercial uses, 11 of which are located on the second story. The survey also noted two commercial vacancies. The center has a variety of retail uses, including two supermarkets, a pharmacy, a few restaurants, a bar, and several medical offices. These retail uses primarily serve residents of the surrounding neighborhoods and visitors and employees of the institutions. Although it has not grown in commercial intensity, Laurel Village has maintained its economic viability. Over the last few years some stores have made certain physical improvements to their storefronts, and there has been little turnover.





## LAUREL VILLAGE PROPOSED ZONING

— NC-S BOUNDARY  
 // SOFT-SITE STUDY AREA

Map 6



## OBSERVATIONS ON CURRENT TRENDS

Three interviews were conducted in Laurel Village. Interviewees include 1 established merchant, 1 new merchant, and 1 realtor. Their observations cover the following topics: change in Laurel Village, rent levels, and zoning controls.

### Change in Laurel Village

#### Merchant

An established merchant who has operated a food store in Laurel Village since 1965 says the primary change over the years has been the increasing lack of parking. He thinks this has caused potential shoppers to go to the larger malls that have more parking. Otherwise there has not been much change. There has not been much turnover among the business establishments in Laurel Village.

#### Merchant

A new merchant who opened a clothing store in Laurel Village in 1984 says she chose to locate there because it is a good location surrounded by affluent residential neighborhoods and has high customer traffic generated by two supermarkets. She also says that very few tourists come to her store. Most are neighborhood residents. About 65% live in the immediate area, 25% work in the area, and 10% come from other parts of the city.

#### Realtor

A realtor who has practiced in the Laurel Village area for 13 years says turnover among businesses in Laurel Village is almost non-existent. It is impossible to find vacant space. She is unable to find space for her clients who want to locate there.

### Rent Levels

#### Merchants

The established merchant and new merchant interviewees decline to divulge information on their rents. The new merchant does mention that the landlord is responsible for building repairs and land maintenance while she is responsible for other costs, such as utilities. She considers her rent reasonable.

#### Realtor

The realtor interviewee says very few spaces with a 25 foot frontage exist in Laurel Village. Most have a 30-40 feet frontage. With this frontage as a standard, those businesses occupying 1000 to 2000 square feet in floor area pay an average monthly rent of \$2.25 a square foot, those occupying 2000-4000 square feet pay an average of \$1.50 a square foot, and those occupying 4000 square feet or more pay about \$1.25 a square foot. She also says that rents have increased very little over the past two years because retail sales have not gone up enough to warrant a significant increase.

In regard to the terms of the leases, the interviewee says there are no typical leases in Laurel Village:

"Laurel Village is not a mall. It's not cohesive in the sense that all property is owned by the same landlord. Thus the leases are all different. Some for 5 years, others for 10. Some with options, others without. And the situation is no different than it was 5 years ago. Generally the leases are for 10 years. It's shortsighted to give a tenant who's been in the area for 20 years a 3 year lease. Even if the tenant is new, a 3 year lease provides no time for that merchant to establish a reputation, to benefit from the improvements he's made to the property."

## Zoning Controls

None of the interviewees are aware of the proposed zoning controls or express interest in any special zoning issues.

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

The existing permanent zoning for the various locations proposed for NC-S zoning is either C-2 or C-1. Laurel Village is presently C-2 zoned except for a small portion which is RM-1 zoned. The proposed NC-S zoning controls, as shown on Table 13, are designed to bring zoning into conformity with the existing physical characteristics of these locations which generally include large commercial uses in low-scale buildings with plentiful parking.

Using Laurel Village as an example, the proposed NC-S zoning is generally more restrictive than the existing C-2 zoning. Under the existing zoning the Floor Area Ratio is 3.6 to 1. Under the proposed zoning it is 1.0 to 1 for commercial space. Height Limits are the same under both zonings. Both zonings allow major commercial uses on the first two floors. Above the second floor, the proposed zoning prohibits new commercial uses. In addition, it requires Conditional Use authorization for large fast-food and take-out food outlets at the first and second floors and for automobile-related uses at the ground floor. These uses are permitted by right under the C-2 zoning. Other differences are that the proposed NC-S zoning limits late-night activity and requires Conditional Use authorization for new commercial uses of 5000 square feet or more. Such requirements do not exist under the current C-2 zoning.

## Physical Development Estimates

Physical development estimates for the Laurel Village NC-S district are shown in Table 14. They indicate a difference of 5800 square feet in new commercial space between the existing and proposed zoning. All of this difference occurs in the office sector, where the proposed zoning is estimated to have 5800 square feet in potential new office space while none is estimated under the existing zoning. This difference is exceptional because it involves a rare case where the proposed zoning could allow greater commercial development than the existing zoning. This is the function of an increase in the land area under the proposed zoning rather than less restrictive controls. The estimated office growth would occur on a vacant lot in a small portion of the Laurel Village NC-S district that is currently zoned residential (RM-1). Since residential zoning prohibits commercial use, no offices can be developed



TABLE 13

SEC. 713.  
NEIGHBORHOOD COMMERCIAL SHOPPING CENTER DISTRICT  
NC-S ZONING CONTROL TABLE

			SEC. 713. NC-S
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	Generally, 40-X See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	Not Applicable
.12	Rear Yard	§§ 130, 134, 136	Not Required
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.0 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P/C § 145.2(a)
.25	Drive Up Facility	§ 790.30	C
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(e)1
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118	P		
.39	Residential Demolition	§ 790.86	C	C	C

## Retail Sales and Services

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	P	
.41	Bar	§ 790.22	P	P	
.42	Full-Service Restaurant	§ 790.92	P	P	
.43	Small Fast Food Restaurant	§ 790.90	P	P	
.44	Large Fast Food Restaurant	§ 790.91	C	C	
.45	Take-Out Food	§ 790.122	C	C	
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	P	P	
.49	Financial Service	§ 790.110	P	P	
.50	Limited Financial Service	§ 790.112	P	P	
.51	Medical Service	§ 790.114	P	P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	P	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C	C	
.55	Tourist Hotel	§ 790.46			
.56	Automobile Parking	§§ 790.8, 156, 160	P	P	

			SEC. 713. NC-S		
No.	Zoning Category	§ References	Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14	C		
.58	Automotive Service Station	§ 790.17	P		
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18	C		
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C	C	
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62	C	C	
.65	Trade Shop	§ 790.124	P	P	
.66	Storage	§ 790.117	C	C	

## Institutions and Non-Retail Sales and Services

.70	Administrative Service	§ 790.106	C	C	
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	P	
.82	Public Use	§ 790.80	C	C	C

## RESIDENTIAL STANDARDS AND USES

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 800 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 275 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 100 sq.ft. if private, or 133 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

TABLE 14  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NC-S NEIGHBORHOOD COMMERCIAL DISTRICT  
Laurel Village

[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	13,200	68,800	56,400	138,400	0	6,500	144,900	0 (0)	144,900
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	0	0	0	0	0	0	0	0 (0)	0
Conversions of Use	+1,500	-1,500	0	0	0	0	0	0 (0)	0
<b>Total Change</b>	<b>+1,500</b>	<b>-1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 (0)</b>	<b>0</b>
Potential Land Use	14,700	67,300	56,400	138,400	0	6,500	144,900	0 (0)	144,900
% Change-Land Use	+11%	-2%	0%	0%	0%	0%	0%	0% 0%	0%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	0	+5,800	+5,800	0	0	+5,800	0 (0)	5,800
Conversions of Use	+1,500	-1,500	0	0	0	0	0	0 (0)	0
<b>Total Change</b>	<b>+1,500</b>	<b>-1,500</b>	<b>+5,800</b>	<b>+5,800</b>	<b>0</b>	<b>0</b>	<b>+5,800</b>	<b>0 (0)</b>	<b>+5,800</b>
Potential Land Use	14,700	67,300	62,200	144,200	0	6,500	150,700	0 (0)	150,700
% Change-Land Use	+11%	-2%	+10%	+4%	0%	0%	+4%	0% 0%	+4%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

under the existing zoning while the proposed NC-S zoning would permit such development. Outside of this site, the estimates reveal no difference in potential growth between the existing and the proposed zoning.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

Excluding the exceptional case involving a residentially-zoned parcel in Laurel Village, the greater restrictions of the proposed NC-S zoning are not expected to result in any significant differences in potential development. The ways in which the proposed NC-S zoning is more restrictive than the existing controls are not likely to adversely affect the business environment of these locations. For example, the proposed NC-S zoning limits housing conversions, which the existing C-1 and C-2 zonings do not. However, this will have no effect because none of the NC-S districts have housing. The same applies to other uses, such as automobile service stations which are prohibited at the second floor and above under the proposed NC-S zoning and permitted under the existing C-2 zoning. At most the proposed NC-S controls reinforce and refine what already exists without economic impact.

### Economic Implications of Community Observation

Interviews with merchants and realtors in Laurel Village support this assessment. All interviewees were unaware of the proposed zoning controls, and none cited any problems that could be even remotely attributed to differences between the existing and proposed zoning. Rent increases over the past two years have been minimal. Vacancy rates are consistently low. As a space designed exclusively for neighborhood commercial activity, Laurel Village has not been affected by the more complex market forces that affect other mixed-use, residential-commercial districts.

The interviews and field observations revealed an issue concerning the relationship of Laurel Village to the nearby Sacramento Street neighborhood commercial district. Interview respondents suggest that in recent years as the Sacramento Street district has grown in intensity and volume, growth in Laurel Village has been flat or marginal. This suggests that there is some competition between the retail services provided by Laurel Village and those provided by Sacramento Street and that growth in commercial activity on Sacramento Street may be drawing business from Laurel Village. The proposed zoning may reduce this overlap and achieve a more balanced relationship between the Laurel Village and Sacramento Street shopping areas. The proposed zoning increases the land area for commercial uses in the Laurel Village district.

This enables Laurel Village to accommodate more commercial growth and thereby strengthen its market position relative to Sacramento Street. It also enhances the ability of Sacramento Street to retain a low-intensity family-oriented commercial environment.



## ASSESSMENT

The above analysis of the Laurel Village Neighborhood Commercial District as a representative example of the proposed NC-S districts supports the following conclusions:

- The proposed NC-S zoning is not likely to have adverse economic impact on the existing C-1 and C-2 locations designated for such zoning.
- Physical development estimates for Laurel Village as a representative example of the NC-S district reveal no difference in potential development between the existing and proposed zonings.
- The proposed zoning conforms to the existing character of NC-S districts as low-scale commercial uses serving auto-oriented shoppers and thereby enhances their basic economic function as neighborhood shopping centers.

## BROADWAY NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD MARKET CHARACTERISTICS

Broadway is a major commercial strip consisting mainly of two- and three-story buildings situated along a wide and busy artery that runs through the northeast quadrant of the city. Within walking distance of Downtown, Broadway is part of a much larger commercial area that includes North Beach to the north, Chinatown to the south, and parts of Jackson Square to the southeast. The commercial role of Broadway tends to be more specialized than that of these surrounding commercial areas. Historically, it has functioned as a major entertainment district of the city with a high concentration of nightlife activities, such as night clubs, music halls, adult theaters, and bars, catering to a citywide and tourist market.

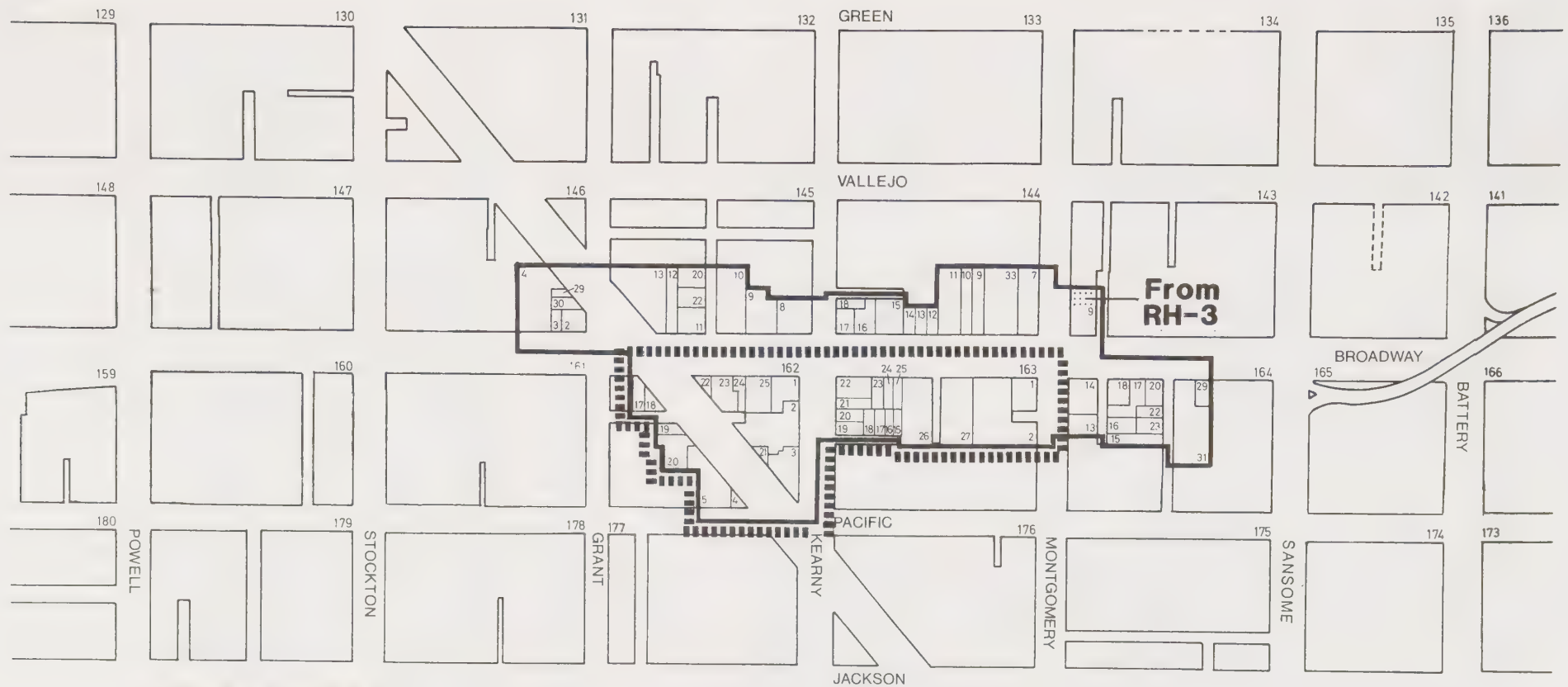
Currently eating and drinking establishments and places of entertainment make up a large portion of all commercial uses along Broadway. These nighttime activities are primarily concentrated between Columbus Avenue and Montgomery Street. The district also contains some neighborhood-oriented grocery, variety and clothing stores. In addition, it has a significant number of residential dwelling units. Almost all residential units are located above commercial uses in predominantly two- and three-story buildings.

Economic trends over recent years have seen a change and decline in nightclub and entertainment activity and an increase in office and financial uses. The topless places of entertainment were most active and popular during the sixties. During the past decade, however, there has been a drop in demand. While some night clubs still do good business, others have been forced to reduce their days of operation. In the seventies and eighties several rock clubs and an amusement game arcade opened up on Broadway. A different clientele which is attracted by these new entertainment types, seems to be associated with some of the problems of the Broadway area such as cruising, loitering, vandalism and late-night disturbances. Several vacant storefronts along Broadway between Columbus Avenue and Kearny are former night clubs.

Coinciding with this apparent change and decline in nightclub and entertainment activity has been an increase in professional and business offices, and personal care services, to a point where these activities now comprise about one-third of all commercial uses along Broadway. Much of this trend, particularly the increase in professional and business offices, is a function of Broadway's locational proximity to Downtown. Until recently, high rates of office growth in Downtown have exerted strong pressure to create upper-story offices in adjoining areas, particularly in the eastern section of the city. Conversion of existing residential uses to upper-story office space was one of the primary issues leading to the present proposed controls for the Broadway district.

### OBSERVATION ON CURRENT TRENDS

Seven interviews were conducted in the Broadway Neighborhood Commercial District. Interviewees include: 3 merchants, 2 community association



## BROADWAY PROPOSED ZONING

— NCD BOUNDARY  
 ADDITIONS

RETAIN EXISTING GARMENT SHOP SUD

DELETE EXISTING WASHINGTON-BROADWAY SUD No 1  
 as shown on MAP 46

RETAIN EXISTING SPECIAL DISTRICT FOR SIGN ILLUMINATION

EXCEPT AS NOTED EXISTING ZONING IS C-2

Map 7





leaders, 1 realtor, and 1 commercial property owner. Their observations cover the following topics: change on Broadway Street, rent levels, zoning controls, and the future.

### Change on Broadway

#### Merchant

A merchant who has operated a restaurant on Broadway Street since 1977 thinks many of the problems faced by merchants are long term, stemming from Broadway's function as a major thoroughfare. He refers to Broadway as a 'freeway' to take automobiles to and from Marin County and the East Bay. Foot traffic, according to him, is oriented mainly along Columbus Avenue and somewhat along Sansome and does not occur in significant volumes along Broadway. He says the big problem is how to increase foot traffic along Broadway in light of its major thoroughfare function for automobile traffic.

#### Merchant

A merchant who has operated a restaurant in the Broadway district since 1960 says:

"On Broadway I've seen the businesses come and go. The restaurants no one can come in and sustain themselves because of deterioration of neighborhood. The beginning of the end came with the 'topless.' That directly caused Banducci's and the Hungry I to go ... and other legitimate entertainment to close. When the 'bottomless' came in late 70's and early 80's things hit rock bottom. Other businesses came in, but they couldn't sustain themselves."

#### Realtor

A realtor whose firm has had some involvement in office development around the Broadway area says:

"There is no strong interest in offices on Broadway. Parking is a problem. Plus Broadway does not carry with it a positive image as an office location."

She also says that with a current vacancy rate of 20% in the Downtown core and 18% in the South of Market, the demand for offices is moving back to Downtown and is no longer exerting growth pressures on surrounding areas.

#### Commercial Property Owner

A commercial property owner whose family has owned commercial real estate in the Broadway area since before the Depression mentions the problems of alcohol and drug use, drug dealing, loitering, and vandalism that exist on Broadway in late night hours and how these problems affect the office buildings on Pacific Avenue, where many of the night club patrons park. He says he has lost \$15,000 in broken office windows because of vandalism by 'late night revelers.'

## Rent Levels

### Merchant

The merchant interviewee who has operated a restaurant on Broadway Street for close to 10 years says: "No. I don't consider my rent reasonable." He adds:

"Getting to the rent situation (the problem of exorbitant rent increases), it is caused by what the landlords choose to charge. Everyone is expecting something big to happen on Broadway. So landlords are jacking up their rents to meet this big demand that is coming. But actually nothing is happening. I am totally convinced that all these expectations are unrealistic. Look. Nothing is happening on Broadway. Everything is going down ... the 'topless' bars ... restaurants ... even offices."

### Merchant

The merchant interviewee who has operated a retail outlet in the Broadway district sees escalating rents being responsible for high turnover among small businesses in the area.

"I see a lot of turnover of small businesses. And the almost total vacancy of Pacific Avenue ... the old Barbary Coast area. Why? I think short-term leasing invites less well-financed businesses. A well-financed business won't get involved in a short term lease ... because the financial institutions which it needs to finance improvements won't get involved in anything less than 5-10 years. Short-term leases come from speculation ... property owners who want to turn their buildings over in less than 5 years."

### Merchant

A merchant interviewee who has 1800 square feet in restaurant space in the Broadway district says of his rent:

"Oh. I think the landlord is reasonable. \$2,300 a month. A couple of more years on a five year lease. We pay all expenses."

"The rent increases? I think it's a general trend, like insurance. Everything has gone up 3 to 5 times. I don't know how much the landlords' tax assessments are ... doubling the rent is outrageous ... but tripling it is something that no merchant can take. Pacific Avenue, you know, the old Barbary Coast, is ... all abandoned and vacant."

### Realtor

The realtor interviewee says, "For surrounding offices around Broadway we get \$18 a square foot a year in rent." She points out that the average rent level would be higher in a new or rehabilitated building, around \$20 a square foot, because of the costs associated with meeting new building code requirements. She adds that because of overbuilding the rents for office space have gone down in both real dollar terms and asking price term since 1980.

### Commercial Property Owner

The commercial property owner says of recent changes in the average rent level:

"It's gone down. I'd say four or five years ago was the peak for offices and showroom space. Now it's very flat. Nothing's happening. Not just here ... it's universal ... across the United States. We own ... trade out ... property in South Carolina and Texas. It's the same thing there."

### Zoning Controls

#### Merchant

A merchant interviewer says of the proposed zoning controls:

"Yes, I've been reading about them. I think ... you people have done some good. I've seen some things happen ... like the new bookstore on Broadway that is opening up."

#### Business Association Leader

The business association leader says:

"The controls on housing demolition and conversions ... Conditional Uses ... that's good. It's unfortunate that it took a situation like 1000 Montgomery to dramatize the need. It's not the fault of Planning. Planning has to be faced with a crisis before it can act. Besides the zoning controls there is a need for public policy research and planning on the future of Broadway. Broadway has always been sort of in-between, a 'no-man's land.' It's sandwiched in between. That's the reason it's going through such turmoil. All the respective communities will have to be involved in that planning process. We've had the broad studies. Now we need to be more specific."

### Future of Broadway

All interviewees state that Broadway is presently undergoing a state of transition with its future direction still uncertain. Following are their comments on this issue.

#### Merchant

A retail operator states:

"I think the best thing that could happen to Broadway is to integrate it with North Beach. The 'topless' 'bottomless' thing is not a big deal anymore. It is a cyclical thing. Now we're in a 'rock' era. I think Broadway will always be a sounding board for the entertainment themes of our time. Now it is going through a transition ... for whatever new is coming in."



## Resident

A resident of the Broadway/North Beach area says:

"I think Broadway is very important as a buffer zone (for protecting North Beach and the surrounding residential communities from encroachment from growth in Downtown and Chinatown). I think it should continue to be an entertainment district. I think the entertainment should be slanted more toward small nightclubs ... with jazz ... small theaters ... restaurants."

She mentions a meeting she had with a local realtor, who claims that many of the 'topless' bars are paying low rents on long-term twenty-year leases, which will be ending in the next two to three years. She says this will present an opportunity to bring new types of uses on Broadway to replace the 'topless' bars.

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing controls for the Broadway District come under C-2 zoning. The proposed controls, as shown on Table 15, are specifically designed for and unique to the Broadway District. They are designed to bring zoning into conformity with the existing scale and character of the district.

### Restrictions on Height Limits and Floor Area Ratios

The proposed zoning adds a Height limit requirement that does not exist under the current zoning. The new requirement permits buildings up to 40 feet as a right and requires Conditional Use authorization to build above 40 feet to a maximum height limit of 65 feet. The proposed zoning is more restrictive in Floor Area Ratio requirements for commercial space. Under the existing zoning the maximum Floor Area Ratio is 3.6 to 1. Under the proposed zoning this ratio is reduced to 2.0 to 1.

### Other Restrictions on Scale of Development

The proposed controls are also more restrictive in other standards of scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning, Conditional Use authorization is required for all development on lots of 5,000 square feet or more and for all non-residential development with a use size of 3,000 square feet or more.

### Restrictions on Type of Use and Use by Story

The proposed zoning for Broadway Street is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, small fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principal Use on all floors under C-2 zoning, are restricted to the first two floors under the proposed

TABLE 15

SEC. 714.  
BROADWAY NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

		SEC. 714.	
		Broadway	
		Controls	
No.	Zoning Category	§ References	
BUILDING STANDARDS			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	P up to 40 ft. C 40 to 65 ft. # § 253.1
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq. Ft., C 5000 sq. Ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at residential levels only § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	2.0 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2999 sq.ft., C 3000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(e)2
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)3
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

No.	Zoning Category	§ References	Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118			
.39	Residential Demolition	§ 790.84	P	C	
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	P	
.41	Bar	§ 790.22	P	P	
.42	Full-Service Restaurant	§ 790.92	P	P	
.43	Small Fast Food Restaurant	§ 790.90	C	C	
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C	C	
.46	Movie Theater	§ 790.64	P	P	
.47	Adult Entertainment	§ 790.36	C	C	
.48	Other Entertainment	§ 790.38	P	P	
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	P	P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	P	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	P	C	
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

No.	Zoning Category	§ References	SEC. 714.		
			Broadway Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P #	C #	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 400 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 140 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 60 sq.ft. if private, or 80 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

**SPECIFIC PROVISIONS FOR THE BROADWAY NEIGHBORHOOD COMMERCIAL DISTRICT**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 714.10	§ 253.1	<b>65-A-1 HEIGHT AND BULK DISTRICT</b>  <u>Boundaries:</u> Applicable for all of the Broadway NCD from Columbus Avenue to Osgood Place as mapped on Sectional Map 1H  <u>Controls:</u> Building Height and Bulk Limits are P up to 40 feet; C between 40 feet and 65 feet
§ 714.65	§ 236	<b>GARMENT SHOP SPECIAL USE DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portion of the Broadway NCD as mapped on Sectional Map 1 SUA  <u>Controls:</u> Garment Shops are P at the 1st and 2nd stories

zoning on the condition that they conform to the requirements for conversion of existing housing units and meet all requirements regarding scale of development. Moreover, Conditional Use authorization is required for small fast-food and take-out food outlets on these floors. Large fast food restaurants are prohibited on all floors.

Financial service institutions under the proposed zoning require Conditional Use authorization at the ground floor and are prohibited at the second floor and above. Non-residential uses above the third story are generally prohibited under the proposed zoning except for tourist hotels, auto parking, and public uses which require authorization from the City Planning Commission through Conditional Use review.

### Differences in Housing Controls and Other Requirements

The proposed controls are also more restrictive on housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all stories and for housing conversions at the second story. Housing conversion is permitted by right at the ground story but prohibited above the second story. At the same time, the proposed controls are less restrictive in housing density standards, providing for more efficient utilization of residential space by allowing up to 1 unit per 400 square feet of lot, while the C-2 zoning allows 1 unit per 800 square feet.

The proposed zoning also has a number of other restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation and commercial walk-up facilities.

### Physical Development Estimates

Physical development estimates for the Broadway district, shown in Table 16, reveal no difference between the existing zoning and the proposed zoning regarding the total volume of potential development that occurs and the allocation of this development among eating and drinking, retail, and office uses. Because it is a compact, built-up area, there is little potential for new growth in commercial space under either the existing or proposed zoning.

### ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

These findings suggest that the proposed zoning is not likely to have an economic impact on business activity in the district. However, economic issues currently affecting Broadway may give zoning an important indirect role in influencing future development in the district. What follows is a review of these issues and the influence that zoning may have on them.

The Broadway district is located in direct physical proximity to three other highly active and dense commercial districts: Downtown, Chinatown, and North Beach. What happens on Broadway has direct economic implications for these other districts, and vice versa. Presently the district appears to be undergoing economic transition. Historically noted as one of the top



TABLE 16  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, BROADWAY NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	102,900	106,900	93,400	303,200	83,700	48,000	434,900	327,700 (578)	762,600
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+1,600	+1,700	0	+3,300	-3,300	0	0	0 (0)	0
Conversions of Use	+1,800	+1,800	+4,400	+8,000	-2,400	-2,400	+3,200	-3,200 (-2)	0
<b>Total Change</b>	<b>+3,400</b>	<b>+3,500</b>	<b>+4,400</b>	<b>+11,300</b>	<b>-5,700</b>	<b>-2,400</b>	<b>+3,200</b>	<b>-3,200 (-2)</b>	<b>0</b>
Potential Land Use	106,300	110,400	97,800	314,500	78,000	45,600	438,100	324,500 (576)	762,600
% Change-Land Use	+3%	+3%	+5%	+4%	-7%	-5%	+1%	-1% 0%	0%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+1,600	+1,700	0	+3,300	-3,300	0	0	0 (0)	0
Conversions of Use	+1,800	+1,800	+4,400	+8,000	-2,400	-2,400	+3,200	-3,200 (-2)	0
<b>Total Change</b>	<b>+3,400</b>	<b>+3,500</b>	<b>+4,400</b>	<b>+11,300</b>	<b>-5,700</b>	<b>-2,400</b>	<b>+3,200</b>	<b>-3,200 (-2)</b>	<b>0</b>
Potential Land Use	106,300	110,400	97,800	314,500	78,000	45,600	438,100	324,500 (576)	762,600
% Change-Land Use	+3%	+3%	+5%	+4%	-7%	-5%	+1%	-1% 0%	0%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

entertainment districts of the city, it is experiencing a change in some of its entertainment activity. Several buildings that formerly housed night clubs have been vacant for more than a year. Office vacancy rates are also high along Broadway, on Pacific Avenue and in other areas directly adjacent to Broadway street. Some of this vacancy is due to the current surplus of offices in the Downtown area. Some is due to negative impacts from nighttime activities. An owner of commercial property on Pacific Avenue, whose buildings were developed and in active use prior to the current citywide surplus in office space, is losing tenants and having difficulty attracting new ones because of frequent property damage perpetrated by 'late night revelers' from the nightclubs and rock clubs on Broadway.

In addition, restaurant operators say that patronage is down. One restaurant operator whose business directly faces Broadway says he has had to discontinue operating at night due to the problems of nighttime activity on the street. Also, because of the lack of foot traffic, his daytime business is limited to nearby office workers during lunch hours. Merchants further state that despite the apparent lack of demand for retailing along Broadway, rents continue to escalate. Property owners and investors expect "something big" to happen on Broadway because of its historic reputation and its close proximity to other 'high value' areas and use this expectation as a rationale for increasing rents.

The proposed zoning controls are not likely to influence business activity in any direct manner. However, the use controls of the proposed zoning may influence the evolution of Broadway during this period of transition.

There is agreement among the interviewees about the nature of economic and social problems that exist along the street. Most people see Broadway as undergoing a transition toward a new mix of uses that are still undefined at this point. Most are looking to the City to help define this new mix. According to two interviewees, property owners hesitate to make any improvements to their buildings until the uncertainty regarding the future land use pattern on the street is removed.

The proposed rezoning addresses these issues by establishing a framework for defining and controlling the scale and mixture of future development. Lowering of height limits and the floor area ratio more clearly separates Broadway from Downtown by making its building scale consistent with the residentially-oriented neighborhoods within and around North Beach. The proposed controls also promote conservation and development of housing on Broadway by restricting conversions and by raising the housing density to make development of new housing on the street economically feasible.

The types of economic activities that eventually replace those currently in decline on Broadway will depend largely on the nature and strength of the private market forces affecting the area. By establishing the parameters in which these private forces operate, the proposed zoning will help to assure compatibility among the new uses that emerge. For example, the use guidelines under the proposed zoning set forth certain standards for locating eating and drinking establishments in relation to each other and to other uses in order to not aggravate traffic problems and to prevent overconcentration of one type

of use. These guidelines should achieve a diverse mix among the newly emerging uses that is compatible with the heavy automobile-orientation of the street.

## ASSESSMENT

The above analysis of the Broadway Neighborhood Commercial District supports the following conclusion:

- Physical development estimates show no difference between the existing zoning and the proposed zoning for the Broadway district in overall volume of potential commercial growth and in distribution of this growth by eating and drinking, retail, and office activities.
- With a current change and decline in some entertainment activity and in office growth, Broadway appears to be undergoing transition toward a new mix of uses that is still undefined at this point.
- The proposed controls address these transitional issues by providing a framework for future development that allows Broadway to retain its existing physical scale and character and attract a diverse mixture of entertainment, restaurant, retail, and housing uses which is compatible with that of the surrounding residentially-oriented areas and at the same time adaptable to the heavy automobile-orientation of the street.



## CASTRO STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Castro Street is an intensely developed, multi-purpose commercial district with a heavy concentration of retail activity at the ground level, many residential units at upper levels, and only one vacant lot. It is the primary commercial area for residents in the surrounding communities of Eureka Valley and the slopes of Twin Peaks. At the same time, it provides comparison shopping goods on a more specialized basis to a citywide trade area. In addition, Castro Street serves as a major center for San Francisco's gay community, particularly in evening activity.

Almost 90% of the ground story uses in the Castro are commercial. This includes approximately 50 bars, restaurants, and other types of entertainment uses that represent over 30% of all ground story uses. Other commercial uses include: a number of specialty clothing and gift stores, several personal services establishments and five financial institutions. In addition, they include close to 90 offices, primarily dealing with medical, business and professional services. About fifty percent of these office uses are located on upper stories.

The viability of this multi-purpose commercial district has been affected by several issues over the past fifteen years or so. With more intense commercial growth has come a shift in commercial activity from basic goods and services for nearby residents to specialty stores, bars, and restaurants. Residents are concerned that rising property values will accelerate this process and make neighborhood convenience shopping more difficult. As a part of this process, the increase in daytime and nighttime commercial activity attracting people from beyond the immediate neighborhoods has worsened traffic congestion and parking problems. In addition, there has been a trend toward converting residential uses to commercial uses.

### OBSERVATIONS ON CURRENT TRENDS

Four interviews were conducted in the Castro Street neighborhood commercial districts. Interviewees include 3 merchants and 1 realtor. Their observations cover the following topics: change on Castro Street, market area, rent levels, and zoning controls.

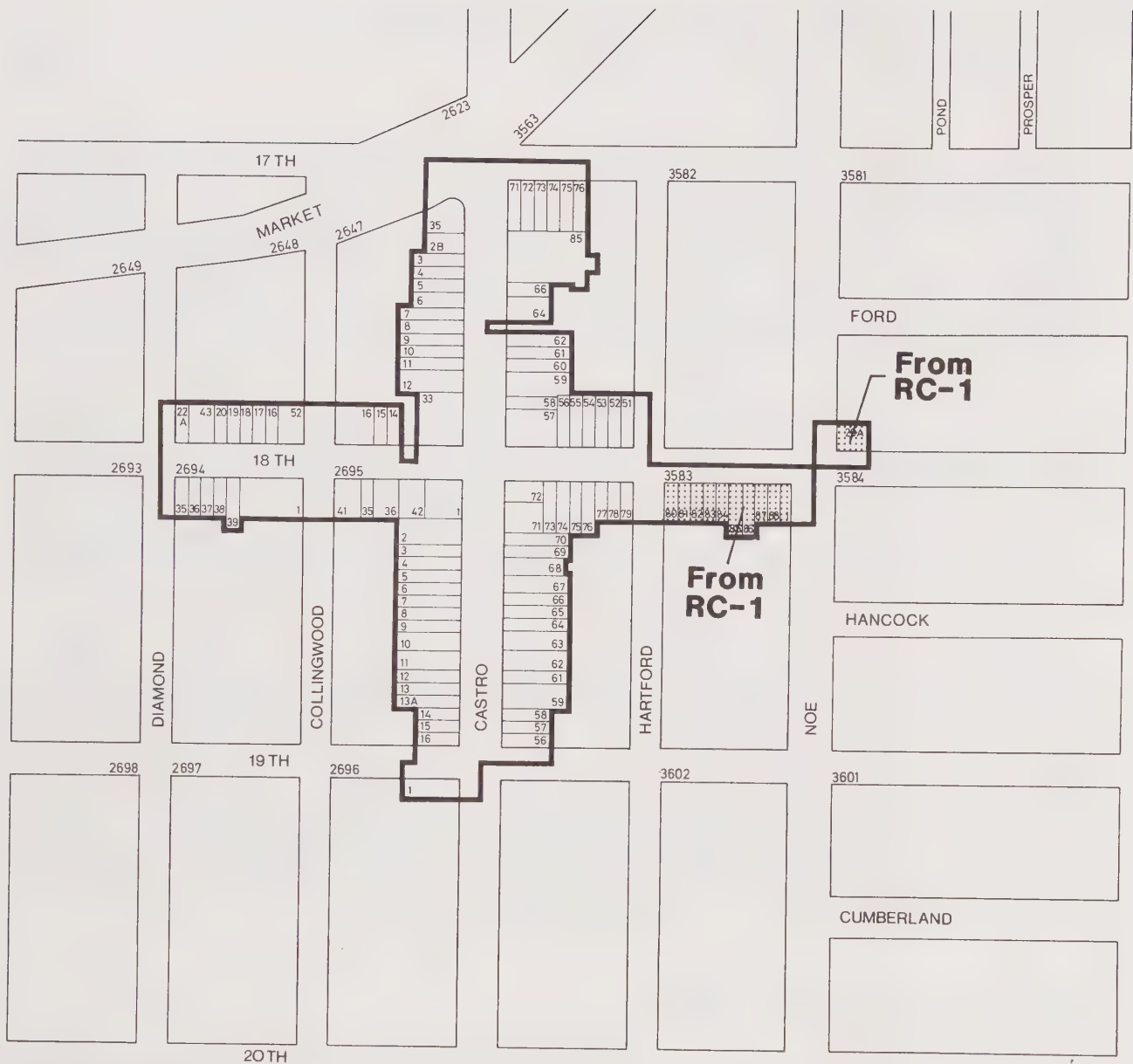
#### Recent Changes on Castro Street

##### Merchant

A merchant who has operated a retail store on Castro since 1981 says the neighborhood is much quieter than it was two or five years ago and the walk-in tourist trade has dropped off dramatically. She attributes this drop to the AIDS epidemic.

##### Realtor

A realtor whose firm is located on Castro says there has been some turnover in businesses lately with four storefronts on the street presently vacant. Businesses moving into the district in the past several years include video



# **CASTRO** **PROPOSED ZONING**

**Map 8**

**— NCD BOUNDARY**

**▨ ADDITIONS TO BOTH NCD & UPPER  
 MARKET SPECIAL SIGN DISTRICT**

**Except as noted, EXISTING ZONING is C-2  
 with UPPER MARKET SPECIAL SIGN DISTRICT**



stores, clothing stores, film developing outlets and very recently a newsstand, a book store, and a dry cleaner. Businesses that have left include two groceries, a cleaners, a laundromat, and kitchenware, picture frame, gift, and shoe stores. He observes that some left because of rent increases and others because business has dropped off in general.

## **Market Area**

### **Merchant**

An established merchant says her market is about half neighborhood people and half tourists. She does not advertise; rather she depends on the neighborhood reputation to bring walk-in trade.

### **Merchant**

A merchant who recently, in 1986, opened a retail outlet on Castro says that most of his patronage comes from the immediate neighborhood.

### **Merchant**

A merchant who opened a restaurant on Castro in 1986, says a large portion of her customers are local people and the rest come from "everywhere." Most are regular customers.

## **Rental Rates**

### **Merchant**

The established merchant interviewee says she has a one year lease with a one year option and anticipates an increase when she renews. She is responsible for utilities and improvements and has had no disputes with her landlord. She does not wish to say whether her rent is reasonable.

### **Merchant**

A new merchant interviewee does not want to say what his rent is, but he does say it is not reasonable. He adds that rent increase at another store he owns on Haight Street is of greater concern to him at the moment, since rates in the Castro seem to have stabilized. He has a five year lease with a five year option and says he obtained such a long lease because the space had turned over several times recently and the landlord wanted to stabilize it. He is responsible for utilities and interior improvements. He has no further plans to expand since he is trying to recoup the costs of opening this store.

### **Merchant**

A new merchant interviewee thinks she has a good lease and does not know whether to expect a rent increase when she renews. The lease is for five years with a five year option. She believes other merchants have three year leases with three year options. She pays for utilities and improvements and has no further expansion plans.

### **Realtor**

The realtor interviewee says the asking per square foot in the Castro district is about \$2.50 per square foot for a retail storefront and "a bit less" than \$2.50 per square foot for upper story space.



He adds that rents have been stable over the past two years. He says they have increased somewhat since five years ago, but the major increase in the area occurred much before that.

## Zoning

### Realtor

Only the realtor interviewee was aware of the proposed zoning controls, on which he offered no comments. None of the merchant interviewees were aware of the proposed controls.

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing controls for the Castro Street District come under C-2 zoning except for 18th Street east of Hartford which is zoned RC-1. The proposed controls, shown in Table 17, are specifically designed for and unique to the Castro Street District. They are designed to bring zoning into conformity with the existing physical scale and character of the district.

### Other Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and the proposed zonings for Castro Street. However, the proposed zoning is more restrictive in Floor Area Ratio requirements for commercial space. Under the existing zoning the maximum Floor Area Ratio is 3.6 to 1. The proposed zoning reduces this ratio to 2.5 to 1.

### Restrictions on Scale of Development

The proposed controls are also more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning Conditional Use authorization is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. The proposed zoning is also more restrictive in rear yard requirements. It requires rear yard setbacks at the second story and above and at all residential levels, while the existing C-2 zoning requires rear yards at residential levels only.

### Restrictions on Type of Use and Use by Story

The proposed zoning for Castro Street is more restrictive than the existing C-2 zoning for Castro in types of use and use by story. New bars, full service restaurants, small and large fast food restaurants, and take-out food outlets, which are permitted by right as a Principal Use on all floors under C-2 zoning are prohibited under the proposed zoning. Adult entertainment uses and financial service institutions under the proposed zoning require Conditional Use authorization at the ground floor and are prohibited at the

SEC. 715.  
CASTRO STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

TABLE 17

			SEC. 715.
			Castro Street
			Controls
No.	Zoning Category	§ References	
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X, 65-B See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq. ft., C 5000 sq. ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	2.5 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq. ft., C 2500 sq. ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq. ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq. ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P # § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P # § 607.1(c)(d)(g)

No.	Zoning Category	§ References	SEC. 715.		
			Castro Street Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 190.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 190.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

No.	Zoning Category	§ References	Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118			
		§ 790.84	P	C	
.39	Residential Demolition	§ 790.86	C	C	C
<b>Retail Sales and Services</b>					
.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P	P	
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36	C		
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	P	P	C
.52	Personal Service	§ 790.116	P	P	C
.53	Business or Professional Service	§ 790.108	P	P	C
.54	Massage Establishment	§ 790.60 § 2700 Police Code	P	C	
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

**SPECIFIC PROVISIONS FOR CASTRO STREET NEIGHBORHOOD COMMERCIAL DISTRICT**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 715.31 § 715.32	§ 608.10	<b>UPPER MARKET STREET SPECIAL SIGN DISTRICT</b>
<b>Boundaries:</b> Applicable only for the portions of the Castro Street MCD as mapped on Sectional Map SSD		
<b>Controls:</b> Special restrictions and limitations for signs		

second floor and above. The only second story non-residential uses that are permitted as a right under the proposed zoning are general retail and offices on the condition that no existing housing is converted and that the floor area ratio and other requirements are met. Non-residential uses at the third story and above are generally prohibited under the proposed zoning except for auto parking and public uses which require authorization from the City Planning Commission through Conditional Use review.

### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all floors and for housing conversions at the second floor. Housing conversions above the second floor are prohibited. There are no such restrictions under the existing zonings, although RC-1 does require Conditional Use authorization for non-residential uses above the ground story. At the same time, the proposed controls are less restrictive in housing density standards, providing for more efficient utilization of residential space by allowing 1 unit per 600 square feet of lot area compared to 1 unit per 800 square feet under the existing zonings.

### Other Restrictions

The proposed zoning has some restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation commercial walk-up facilities, and street frontage design.

### Physical Development Estimates

Physical development estimates for the Castro Street district are shown in Table 18. They indicate no difference between the existing and proposed zoning in total volume of new commercial space and housing. Among commercial sectors, there is a slight trade-off between eating and drinking space and retail space. The existing zoning shows a slight increase of 600 square feet in eating and drinking space that does not occur under the proposed zoning. The proposed zoning on the other hand shows an increase of 300 square feet in retail space that does not occur under the existing zoning.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The slight differences in estimated amounts of potential commercial space under the existing and proposed controls suggest that the potential economic impacts of the proposed zoning also will be slight. However, if economic demand in the Castro were to continue to increase in the future as it has in the past, the proposed controls could cause significant upward pressure on commercial rents in the Castro Street area.



TABLE 18  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, CASTRO STREET NEIGHBORHOOD COMMERCIAL DISTRICT

[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other<sup>1</sup></u>	<u>- 6 -</u> <u>Vacant<sup>2</sup></u>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
Existing Land Use:	67,800	203,800	46,100	317,700	2,300	12,700	332,700	195,500 (202)	528,200
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	0	0	0	0	0	0	0	0 (0)	0
Conversions of Use	+600	+1,700	+8,900	+11,200	0	0	+11,200	-11,100 (-8)	+100
<b>Total Change</b>	<b>+600</b>	<b>+1,700</b>	<b>+8,900</b>	<b>+11,200</b>	<b>0</b>	<b>0</b>	<b>+11,200</b>	<b>-11,100 (-8)</b>	<b>+100</b>
Potential Land Use	68,400	205,500	56,000	328,900	2,300	12,700	343,900	184,400 (194)	528,300
% Change-Land Use	<b>+1%</b>	<b>+1%</b>	<b>+19%</b>	<b>+4%</b>	<b>0%</b>	<b>0%</b>	<b>+3%</b>	<b>-6%</b> <b>-4%</b>	<b>0%</b>
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	0	0	0	0	0	0	0 (0)	0
Conversions of Use	0	+2,300	+8,900	+11,200	0	0	+11,200	-11,100 (-8)	+100
<b>Total Change</b>	<b>0</b>	<b>+2,300</b>	<b>+8,900</b>	<b>+11,200</b>	<b>0</b>	<b>0</b>	<b>+11,200</b>	<b>-11,100 (-8)</b>	<b>+100</b>
Potential Land Use	67,800	206,100	56,000	328,900	2,300	12,700	343,900	184,400 (194)	528,300
% Change-Land Use	<b>0%</b>	<b>+1%</b>	<b>+19%</b>	<b>+4%</b>	<b>0%</b>	<b>0%</b>	<b>+3%</b>	<b>-6%</b> <b>-4%</b>	<b>0%</b>

NOTES: <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

This could occur because the proposed controls are substantially more restrictive than the existing ones. For example, the proposed controls prohibit any new eating and drinking activity on any story, while the existing controls permit it as a right on all stories. The new restrictions could affect rents in regard to eating and drinking space. When Recht Hausrath Associates conducted an informal survey of rents in neighborhood commercial districts in July 1982, they found that Castro Street, along with Union Street, had the highest average rents of all districts: \$2.50 - \$3.00+ a square foot. These high rents were a function of the strong economic demand for commercial space in the Castro Street district at the time. If one further restricts an already limited supply of space, rents could escalate further.

### Implications of Community Observations

Key participant interviews, however, suggest that economic demand on Castro Street will not increase in the future as it has in the past. The demand for eating and drinking services is falling. According to nearly all interviewees, business activity, most notably walk-in patronage from non-residents and tourists, has fallen significantly over the past two years. One sign of this trend is an evident stabilization of rent levels. The average asking rent level at the time of the Recht Hausrath survey in July 1982 was \$2.50 - \$3.00 a square foot. Today, four years later, the realtor interviewee estimates it at \$2.50 a square foot. One of the merchant interviewees, who also has a store in the Haight, says he is more concerned about rent increases at his Haight Street store, where demand is rising, than at his Castro Street store. The landlord at his Castro Street store, in fact, gave him a five year lease (longer than most) because he wants a stable tenant after several turnovers in recent years.

Another merchant interviewee attributes the falling business activity along Castro to changing lifestyles in response to the AIDS epidemic. The fall in demand could also be due to other changes. For example, Castro Street is losing its virtual monopoly position as the center of evening and night life for the gay population, as gays have moved to other areas in the city which are now also providing social and entertainment activities for them. This in itself would be sufficient to cool off the demand-side pressure on commercial rents which has affected the Castro Street economy over the past 15 years. The influence of the proposed zoning controls amid these larger market forces is likely to be minimal.

### ASSESSMENT

The above analysis of the Castro Street district supports the following conclusions:

- The proposed controls are not likely to have adverse economic impact on the Castro Street neighborhood commercial district.

- Due to their greater restrictiveness relative to the existing controls in regard to eating and drinking activity, the proposed controls would have a tendency to reinforce inflationary tendencies for eating and drinking space in the Castro Street economy, if economic demand were to increase in the future as it has in the past.
- However, interviews and field observations suggest that economic demand in the Castro is declining; for the past two years trade by non-residents and tourists has fallen and rents have stabilized; this implies that the proposed controls are not likely to exert inflationary pressure on the Castro Street economy.



## INNER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Inner Clement is a one-mile long, intense commercial strip located in the Richmond District in northwest San Francisco. Serving both neighborhood and citywide/regional markets, Inner Clement is distinguished by one of the greatest concentrations of restaurants of any street in San Francisco. In addition, it has about 320 personal service and retail businesses, 80 professional medical and business offices, and financial institutions, as well as a movie theater, 3 places of entertainment and 2 dance halls, which are open during evening and night hours. The number of residential units in the district total 250, the vast majority of which are located on upper stories.

The primary economic change in the Inner Clement district over the past decade has been an increase in restaurants, places of entertainment, and financial services. These uses have played the greatest role in attracting customers from throughout the city and the region. As a consequence they have significantly influenced the character of Inner Clement and its surrounding residential neighborhoods. Included within this influence are problems such as increased traffic congestion, parking shortages, noise, and trash on the streets as well as escalating rents.

### OBSERVATIONS ON CURRENT TRENDS

Four interviews were conducted in the Inner Clement neighborhood commercial district. Interviewees include: 3 merchants and 1 realtor/commercial property owner. Their observations cover the following topics: recent changes on Clement Street, rent levels, and zoning controls.

#### Recent Changes on Clement Street

##### Merchant

A merchant who has operated a retail service on Clement Street for 3 years speaks of the turnover of businesses on Clement Street:

"A lot of older established businesses are getting out. A lot of new people are coming in ... mostly faddish types of products ... a lot of clothing ... boutiques ... hair salons."

##### Merchant

An official associated with a savings & loan association on Clement Street says:

"What do I know about Clement? I see many more Asian businesses coming in ... restaurants ... Chinese markets ... beauty salons ... a lot of restaurants. I don't see so many of the older types of neighborhood businesses ... shoemakers ... drug stores ... like I used to see in neighborhoods. I see a lot of banks ... too many banks ... too many restaurants."

"This is a product of the in-migration of the Chinese population. There is no way to expand their businesses in Chinatown. Of course, from the banking point of view, new businesses coming in is good for us. We welcome it."

"I think it is for the better ... because it kind of livened up the district ... because as I remember at one time ... Clement was just an average-type district without much activity. It certainly livened up the district."

#### Realtor

A realtor/commercial property owner who has operated on Clement Street for close to 30 years discusses the history of Clement Street. He says that it started as a French immigrant community in 1910. "That's why we have French Hospital out here." Then in the 1930's and 1940's it became largely Catholic and Jewish. The White Russians did not come until the 1950's.

"There was this large migration of White Russians from all over the world. They came from China ... Europe ... South America ... where their families had gone after the 1917 revolution and assembled here around Clement Street. It was just like with the Chinese now. It seemed like they were going to take over everything. I remember I used to call them on real estate business and they couldn't speak English. They were old people when they came here. So their community didn't last long. Their children became assimilated and moved to Marin County ... Pleasanton ..."

In regard to the growth of franchises on Clement Street he says:

"In 1972 I think we had two franchises. Now fifteen years later we are saturated with them. I think franchises are the worst thing that can happen to a neighborhood. Franchises don't care about the neighborhood. A merchant who is working with his own business has a totally different attitude. I know that national chains sell franchises to local people. But even when the franchise is local, there is a difference."

#### Rent Levels

##### Merchant

An owner/operator of a retail service says:

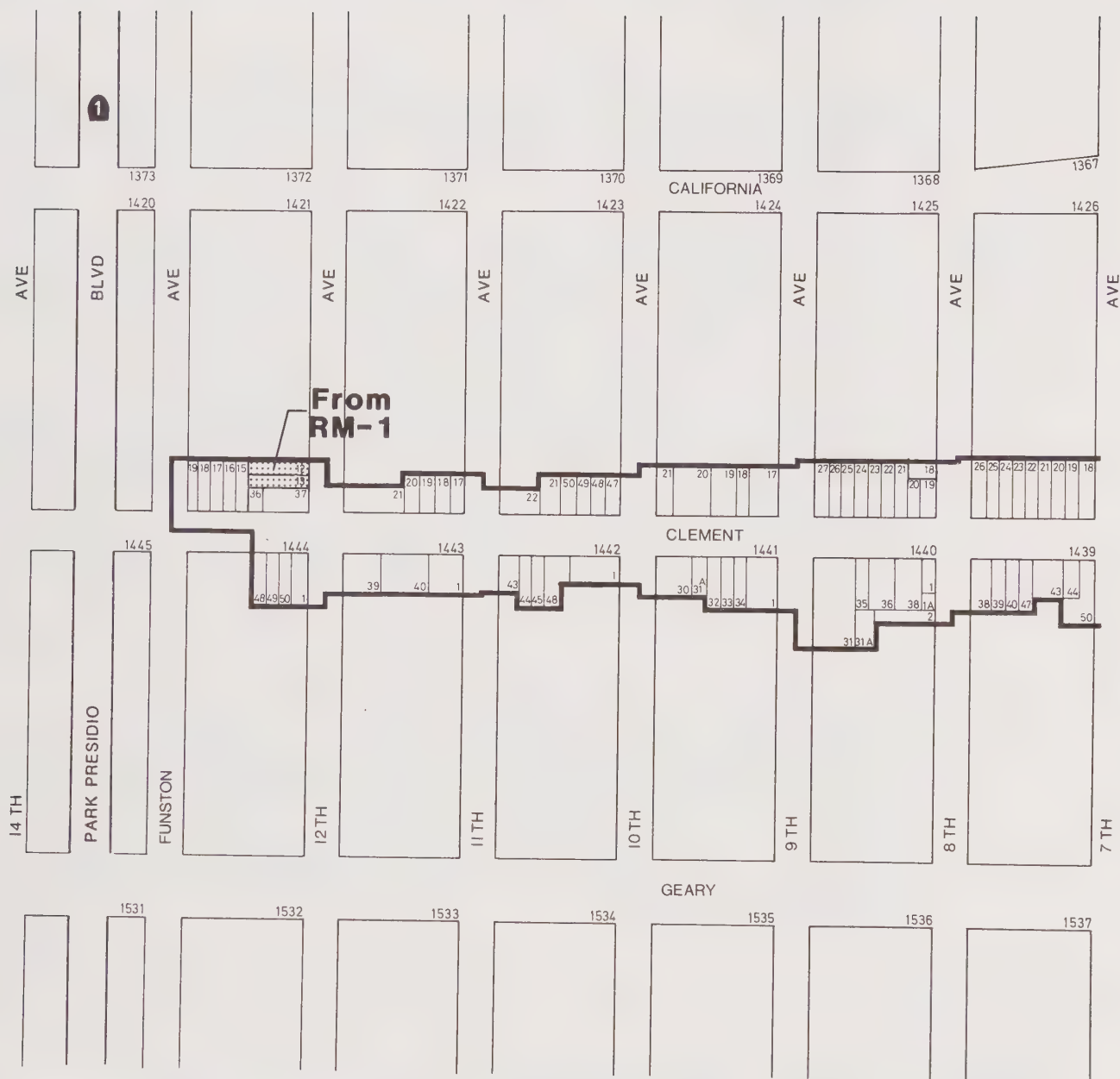
"Rent increases are a problem. My parents were forced out of a cleaners of Nob Hill because of rent increases."

##### Merchant

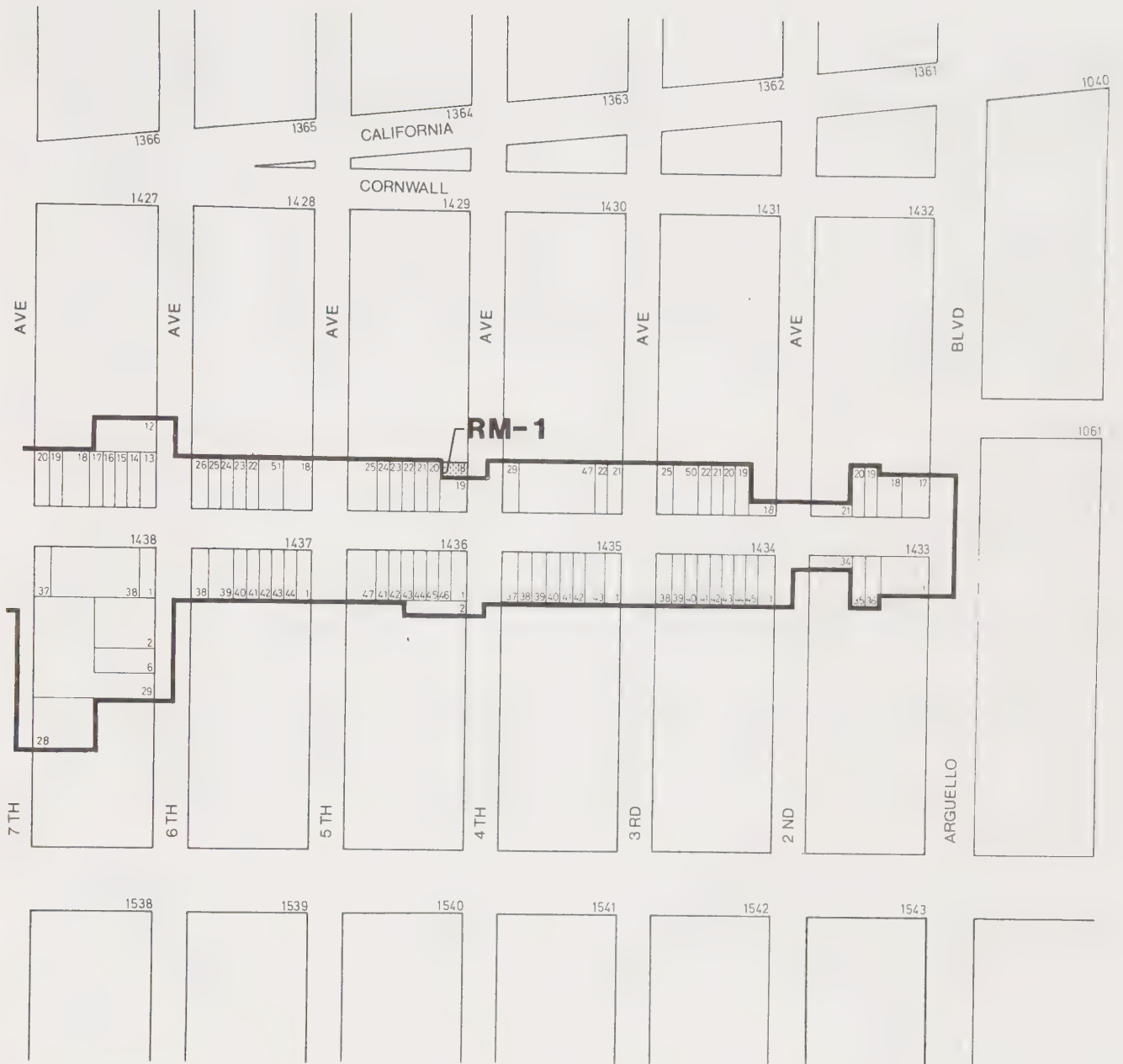
A long-time merchant says the problem of 'escalating rents' on Clement Street began about 5 years ago as the street became saturated with restaurants and savings and loan associations.

She adds:

"Most merchants don't want commercial rent control. Automatic arbitration might be the answer. If a landlord raises the rent over







a certain percentage, then it automatically goes to an arbitrator whose decision is final and binding."

#### Realtor

The realtor/commercial property owner interviewee says in order to understand rents on Clement Street we must distinguish the "100% blocks." By "100% blocks" he means those that have "full value" and that are located "I'd say from 9th Avenue to 5th or 6th Avenue ... let's say 6th." On these blocks "I would think anywhere from \$2.00 to \$3.00 a square foot" would be current asking rent for a retail storefront on the ground floor having a 25-foot frontage. He adds: "It would vary according to the conditions of the structure and location on the block." A larger space, 4,000 square feet or more, "would drop a little, but not much." He inserts: "My figures are for triple net leases. Less than full value streets? They don't get the foot traffic or have the intensity. Here you are probably looking at a range of \$1.50 to \$2.00 a square foot."

#### Zoning Controls

##### Merchant

A merchant interviewee says:

"I know about restaurants and the banks ... the moratorium on those. I absolutely agree with those for the restaurants."

##### Merchant

A long-time merchant thinks the restrictions placed on converting upper story residential to commercial is a major problem with the proposed controls. She thinks a more important problem is that the City is neglecting the needs of the small business merchants in the neighborhoods.

"City Hall has not paid attention to our needs. We are the number one employer in the city. Yet the City is not paying attention to our needs. It is making it difficult for us to operate. The businesses that are already here are having a hard time surviving ... yet the City is allowing new commercial to come in ... Downtown ... South of Market. What about those that are already here?"

##### Realtor

The realtor interviewee disagrees with the provisions requiring rear yard setbacks for commercial uses. He thinks given the minimal amount of vacant land in San Francisco, it is a waste to require rear yard setbacks for commercial uses.

"I feel that every commercial area should be able to use its back yard. If you go to those back yards now, all you see are weeds. That's wasteful. The City needs to make more land available. Space in San Francisco is too tight. The City needs to open up its zoning. If too much commercial space becomes available, it'll simply revert back to housing."

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing controls for the Inner Clement Street District come under C-2 zoning. The proposed controls, as shown in Table 19, are specifically designed for and unique to Inner Clement Street District. They are designed to bring zoning into conformity with the existing physical scale and character of the district.

### Restrictions on Height Limits and Floor Area Ratio

Height Limit requirements are the same under both zonings. However, the proposed zoning is more restrictive in Floor Area Ratio requirements. Under the existing zoning the maximum Floor Area Ratio is 3.6 to 1. The proposed zoning reduces this ratio to 1.75 to 1.

### Other Restrictions on Scale of Development

The proposed controls are also more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning Conditional Use authorization is required for all development on lots of 5,000 square feet or more and for all non-residential development with a use size of 2,500 square feet or more. The proposed zoning is also more restrictive in rear yard requirements. It requires rear yard setbacks at the second story and above and at all residential levels, while the existing zoning requires rear yards at residential levels only.

### Restrictions of Type of Use and Use by Story

The proposed zoning for Inner Clement is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, small and large fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principal Use on all floors under C-2 zoning, are prohibited under the proposed zoning. Financial service institutions under the proposed zoning are prohibited. The only non-residential uses allowed on the second story require conditional use permission on the condition that they do not displace existing housing units and meet scale of development requirements. These include general retail and office uses. Non-residential uses at the third story and above are generally prohibited under the proposed zoning except for tourist hotels, auto parking, and public uses which require authorization from the City Planning Commission through Conditional Use review.

### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Housing demolitions require Conditional Use permission on all floors. Housing conversions are permitted by right on the ground floor and prohibited above. No such restrictions exist under the C-2 zoning. At the same time, the proposed controls are less restrictive in housing density standards, allowing 1 unit per 600 square feet of lot, while the C-2 zoning generally allows 1 unit per 800 square feet.



TABLE 19

SEC. 716.  
INNER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 716.
			Inner Clement Street
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.75 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

No.	Zoning Category	§ References	SEC. 716.		
			Inner Clement Street Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

## Institutions and Non-Retail Sales and Services

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

## RESIDENTIAL STANDARDS AND USES

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

		§ 790.118	Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P		
.39	Residential Demolition	§ 790.86	C	C	C

## Retail Sales and Services

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	C	
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110			
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	P	C	
.52	Personal Service	§ 790.116	P	C	
.53	Business or Professional Service	§ 790.108	P	C	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

## Other Requirements

In addition, The proposed zoning has some restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation, commercial walk-up facilities, and street frontage design.

## Physical Development Estimates

Physical development estimates for the Inner Clement Street district are shown in Table 20. As they indicate, physical development under the proposed zoning could be significantly different from that under the existing C-2 zoning. Essentially the proposed zoning provides less than one half of the total amount of potential commercial space provided under the existing zoning. This is largely a result of restrictions on upper story offices and prohibitions on new eating and drinking uses. The volume of new office space estimated under the proposed zoning is little more than one fourth of that projected under the existing zoning. No growth in eating and drinking uses would occur under the proposed zoning, while the existing zoning could allow growth of 5300 square feet. Growth in retail activity would be relatively flat under the existing controls, while it comprises close to 50% of the total amount of growth permitted under the proposed controls. The proposed controls would also reduce the rate of displacement of housing units. Over 21 units would be lost under the existing controls, while only 6 are estimated to be lost under the proposed controls.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

The Inner Clement Street economy has a robust economy, the strength of which is unlikely to be adversely affected by the proposed zoning controls. This situation is a function of two conditions: 1) the limited supply of available commercial facilities in the face of major increases in demand, and 2) the competitive advantage of Inner Clement Street vis-a-vis parallel portions of Geary Boulevard in providing an intense pedestrian-oriented environment.

The potential increase in the supply of commercial space on Clement Street is limited by the low-scale, built-up character of the area. Most buildings have only two stories, are in good condition, and are fully utilized. There are no vacant sites or deteriorated buildings ripe for redevelopment. At the same time, Inner Clement has experienced a substantial increase in restaurants, financial institutions, and specialty retail shops partly because of the large number of Asian families who have moved into the surrounding residential areas over the past ten to fifteen years. Given the lack of available sites for new development, the increased competition for access to commercial facilities has centered on existing space, raising the value of this space and rents charged for it.

Given relatively inelastic supply of commercial facilities and continuing increases in demand for these facilities among restaurants, increases in property values and rent levels in Inner Clement have been greater than average for the city. Given the locational advantages of Inner Clement as an intense pedestrian-oriented commercial strip, this pressure could continue in the future. At its eastern end, Clement is located near French Hospital, a

TABLE 20  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, INNER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	127,400	274,800	162,100	564,200	16,100	12,000	592,300	319,600 (267)	911,900
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	0	0	0	0	0	0	0	0 (0)	0
Conversions of Use	+5,300	+200	+21,900	+27,400	-5,200	0	+22,200	-22,200 (-22)	0
<b>Total Change</b>	<b>+5,300</b>	<b>+200</b>	<b>+21,900</b>	<b>+27,400</b>	<b>-5,200</b>	<b>0</b>	<b>+22,200</b>	<b>-22,200 (-22)</b>	<b>0</b>
Potential Land Use	132,700	275,000	184,000	591,600	10,900	12,000	614,500	297,400 (245)	911,900
% Change-Land Use	+4%	0%	+14%	+5%	-32%	0%	+4%	-7% -8%	0%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	0	0	0	0	0	0	0 (0)	0
Conversions of Use	0	+5,600	+5,700	+11,200	-5,200	0	+6,000	-6,000 (-6)	0
<b>Total Change</b>	<b>0</b>	<b>+5,600</b>	<b>+5,700</b>	<b>+11,200</b>	<b>-5,200</b>	<b>0</b>	<b>+6,000</b>	<b>-6,000 (-6)</b>	<b>0</b>
Potential Land Use	127,400	280,400	167,800	575,400	10,900	12,000	598,300	313,600 (261)	911,900
% Change-Land Use	0%	+2%	+4%	+2%	-32%	0%	+1%	-2% -2%	0%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



major employer in the area which provides a ready market for many of its restaurants and retail shops. The nearest alternative commercial area is Geary Boulevard, between Arguello Boulevard and Funston. This section of Geary Boulevard, proposed for NC-3 zoning, potentially could attract some of the office and eating/drinking activity that otherwise would locate on Inner Clement and thereby siphon off some of the large increases in the demand for space on Clement Street. However, as a major automobile-oriented thoroughfare, Geary cannot duplicate the pedestrian-oriented environment that supports the retail, eating and drinking establishments on Inner Clement. Geary is therefore not likely to play a significant role in abating growth pressure on Clement Street.

There is little that zoning can do to alter these strong market forces affecting Inner Clement Street. Hence the primary question for assessing potential economic impacts is whether the marginal influence of zoning will exacerbate rent pressures.

### Economic Implications of Physical Development Estimates

The proposed zoning will curtail additions to the supply of eating/drinking, financial, and office space. Given the strong demand for commercial space occurring on Inner Clement, the proposed zoning restrictions could reinforce upward pressure on rents for eating/drinking, financial, and office space. However, this added pressure is likely to be marginal in the case of eating and drinking places and financial institutions, and mitigated by offsets in the case of offices. First, Inner Clement Street already has one of the greatest concentrations of restaurants of any commercial street in San Francisco and is already at the limits of, if not exceeding, an optimal ratio of supply in relation to other commercial uses. A similar situation exists in regard to financial institutions. Inner Clement Street has a large number of banks and savings and loan offices. Given the pedestrian-scale of the street and its severe parking and traffic problems, it is doubtful whether it could accommodate significant increases in new eating and drinking and financial facilities without creating substantial congestion and ultimately diseconomies in the form of decreased consumer accessibility, decreased patronage, and increased failure and turnover among eating and drinking establishments. Moreover, the social costs of increased parking and traffic congestion will far exceed the marginal effect that the proposed controls could have on rents.

Second, because the demand for office space on Inner Clement has not been as robust as the demand for eating/drinking, financial, and retail space, the economic effects of the restrictions which the proposed controls place on new office space are not likely to be as great as the restrictions on new eating and drinking space. While parallel portions of Geary Boulevard cannot compete with Inner Clement as a pedestrian-oriented center of eating and drinking and retail activity, they do provide an alternative location for some office users.

### Implications of Community Observations

There is no indication from field interviews and observation that the demand for commercial space on Inner Clement will decline in the near future although

it may not be as great as in the past. Given this forecast, will the restrictions of the proposed controls in regard to rear yard setback requirements and upper story conversions force rents up on Clement Street?

Assessing the validity of this concern is problematic. On the one hand, there is no doubt that the rear yard setback requirements for commercial uses above the first floor and the limitations placed on conversion of upper-story housing to commercial uses could limit the potential return that a property owner can obtain on a given individual commercial property: a developer who builds commercial uses on the total area of a lot at all floor levels would obtain a higher return than one who is restricted to building on only 75% of the lot above the ground floor and prevented from developing income-producing commercial uses above the second floor.

These gains to property owners and developers must be weighed against the long-term, cumulative costs of increasing the density of commercial development on Inner Clement Street and impacting adjacent residential properties. Given the low-scale buildings and high pedestrian orientation of Clement Street, more intense commercial development could significantly add to problems of parking, traffic congestion, loitering, littering, and costs of physical maintenance for the city, to a point where the incentives to invest on Inner Clement Street would be severely diminished. Maintaining economic viability over the long run requires a delicate balancing of growth in all sectors at a scale that protects the already built-up physical character of the area.

## ASSESSMENT

The above analysis of the Inner Clement Street Neighborhood Commercial District supports the following conclusions:

- The proposed controls should help to strengthen the long-run economic vitality of the Inner Clement district by discouraging a scale and intensity of development that would detract from the pleasant and vibrant pedestrian-orientation that characterizes its present market appeal.
- While the proposed controls could exert some inflationary pressure in eating/drinking and financial office space by restricting new growth in such space, the costs associated with this inflationary pressure are not likely to be as great as the ultimate costs of congestion associated with an oversupply of eating and drinking places and financial institutions.
- The inflationary pressure that the proposed controls could exert through its restrictions on office growth is not likely to be significant since the demand for office space on Inner Clement is not as large as that for retail and eating and drinking uses and since parallel portions of Geary Boulevard, proposed for NC-3 zoning, provide an alternate location for office users.



## OUTER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Outer Clement, located between 19th Avenue and 27th Avenue on Clement Street, is a low intensity area serving both neighborhood and citywide markets. It has a large number of residential uses among the commercial uses, characterized by many mixed-use buildings with fully residential and fully commercial buildings dispersed among them. Recent commercial growth has created problems in this district which has a large concentration of residential units. Restaurants, now totaling 28, and one movie theater are largely responsible for attracting a citywide patronage to the district. However, the increased patronage has not benefited other businesses because most of the patrons come during evening hours, after other businesses are closed. At the same time, the increased restaurant activity has generated numerous conflicts with the surrounding residential area, particularly in the evening hours, including such problems as double-parking, cars blocking residential garages, noise, littering, and vandalism. Also, the restaurants have tended to displace essential neighborhood service uses, such as dry cleaners and variety stores.

### OBSERVATIONS ON CURRENT TRENDS

Seven interviews were conducted in the Outer Clement neighborhood commercial District. Interviewees include: three established merchants, one new merchant, one ex-merchant, one realtor, and one commercial property owner. Their observations cover the following topics: change on Outer Clement Street, rent levels, and zoning controls.

#### Changes on Clement Street

##### Merchant

One merchant who has operated a business on Clement Street for over 20 years says:

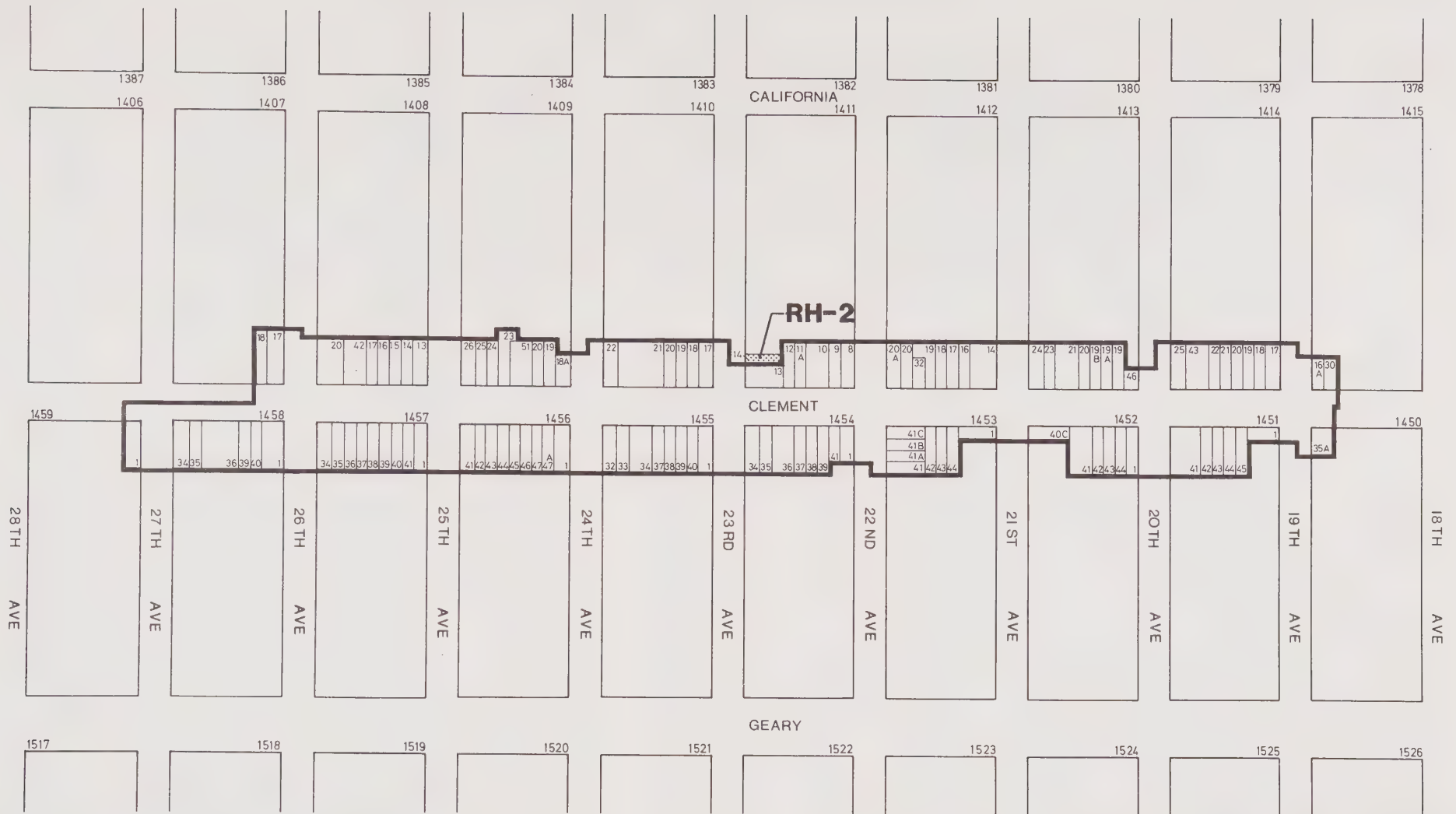
"Oh ... the restaurants ... I mean, we have too many ... everywhere. From 14th Avenue to 34th Avenue we have 32 restaurants. What has happened ... as the property was being purchased, the rents went sky-high and the old shopkeepers couldn't afford them ... and the restaurants opened up.

"It's gotten worse because there is no parking. And my customers are leaving. You are talking about customers who've been living around here for 17 years. Many are being forced out of their apartments. They are moving to places like Sonoma ... Contra Costa County ... not many to Marin ... I guess the rents are too high. Some are moving back to where they were born ... like the Midwest."

##### Merchant

A merchant who has operated a retail outlet on Clement Street for over 25 years says that 95% of his customers are from the immediate residential areas. Regarding changes on Clement Street, he says:





# **OUTER CLEMENT PROPOSED ZONING**

**Map 10**

- NCD BOUNDARY**
- ▨ DELETIONS**
- EXISTING ZONING is C-1**



"I've seen long established small businesses leave or go out by attrition. I've seen old houses torn down and apartment houses go up in place of them. I've seen more restaurant food-type business coming in. And I guess the Asian population has moved out here because ... the Hong Kong situation ... and the ... lack of housing in Chinatown. I've seen foreign money come in to buy property ... like next door the sauna is owned by someone who lives in Canada and is managed by a local realty firm."

#### Merchant

A merchant who has operated a Chinese restaurant on Clement Street for over 10 years says:

"When we first moved here, there were hardly any Chinese restaurants. When we first moved here, it was an old laundry plant. At that time we had to do a lot of promotion ... that is why our menu is to serve Caucasian and Chinese. If I had the same question now, I wouldn't think about coming in (the Outer Clement district). It's too many restaurants ... too many."

"We decided on this location because there were more Oriental people moving out to Clement. At that time there were quite a bit of Russian people. Some had lived in China. So we thought we would make it easy for them to get Chinese food."

#### Realtor

A realtor who has been on Clement Street for over 30 years says the turnover among businesses on Clement Street is very low because it is very desirable as a commercial area. She says the vacancy rate is:

"Very very nominal. Everyone wants to be out here. There's one little place that went out of business because they didn't have enough foot traffic ... on Clement between 21st and 22nd. That's the only one that I know of. They were only in business for about a month. It was a little gift shop."

#### Commercial Property Owner

A commercial property owner who has been on Clement Street close to twenty years says he has seen a number of businesses leave Clement Street, including "a yarn store ... a corner book store ... not because of rent increases, but because there is not enough foot traffic."

#### Rent Levels

##### Ex-Merchant

An ex-merchant who operated a retail outlet on Clement Street for 20 years, from 1960 to 1981 when she went out of business because of an increase in rent from \$325 a month to \$1,000 a month, says:

"I started at \$100 a month. The first landlord wasn't bad. At the end I was paying \$325. They didn't go by square foot like they do now-a-days. A new landlord bought it in 1981 and brought the rent up to \$1,000.00. I almost died. They're all gone now ... the bookstore

... everybody's getting their rent raised. There's no grocery store. You have to go way out the area to shop."

#### Merchant

The merchant interviewee who has been on Clement Street for over 25 years pays a monthly rent of \$2500 for 1300 square feet. He is on the second year of a three-year lease with no option for future years. In addition, he pays 60% of the property taxes and all utilities and improvements. He would like to carry out major improvements of his space, but cannot get a lease with long enough terms to finance an improvement loan. He says his rent has gone up about \$300 a year for the past 5 years. He thinks his rent and other rents in the area are "too high." He says:

"Maybe it's come down to where we have to have commercial rent control. The other thing is people will have to decide what kind of environment they want to live in. If they want an environment with personalized services, then they will have to protect them. If they want low prices and impersonal services, then let the "chains" come in."

#### Merchant

The new merchant interviewee who has operated a restaurant on Clement Street for little over a year pays rent of \$1500 for 1800 square feet on a 9 year lease. He also pays for all utilities and improvements.

#### Zoning Controls

#### Ex-Merchant

The ex-merchant interviewer says in reference to the proposed zoning controls:

"The moratorium? ... Oh yes! We'd be dead without it. Restaurants would still be coming in. There needs to be more commercial ... not restaurants ... bars ... but small shops so you don't have to go to a big mall to shop."

#### Merchant

A long-time merchant interviewee says:

"Yes ... I think they (special zoning laws) have had a tremendous impact. We would have had wall-to-wall restaurants. There would have been no shopping here."

#### Realtor

The realtor interviewee says:

"The controls are good as far as the restaurants and bars ... but other businesses are also settling in here."

A colleague of the realtor interviewee says:

"Supply and demand ... there's a real shortage of supply. They should extend Clement Street. There should be more commercial. Like a fellow who came here ... wanted to open a pet shop ... but he



couldn't find a place. He had been on Irving Street ... but his rent went up from \$1,250 a month to \$3,000 a month."

#### Commercial Property Owner

The commercial property owner interviewee says:

"I'll give you my personal knowledge. There is an over-abundance of restaurants. I know of 4 restaurants for sale right now. You think anyone will come and buy them? One restaurant has been for sale since last June. I don't see anyone rushing to buy it. Yet if they do sell, the landlords will ask for more rent ... because the controls in effect push the price up by making the space more valuable. I'm telling you ... I can bet on it ... people are fearful of the controls ... the minute you open it up, they will rush to buy restaurants despite the oversupply. Controls breed fear. I believe in supply and demand."

"I totally disagree with the controls. When it comes to restrictions, the more you restrict, the greater the pressure that builds up. This is a very stable area. If there is too much governmental interference, the investors will stay away. The commercial economy is just like the ecology. Once you control one aspect, you affect all the others. I'd rather see supply and demand work it out, not government interference."

#### DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the Outer Clement Street District is C-1. The proposed controls, as shown in Table 21, are specifically designed for and unique to the Outer Clement Street District. They are designed to bring zoning into conformity with the existing physical scale and character of the area.

#### Restrictions on Height Limits and Floor Area Ratio

Height Limit requirements are the same under both the existing and proposed zonings for Outer Clement. The proposed zoning however is more restrictive in Floor Area Ratio requirements for commercial space. Under the existing zoning the maximum Floor Area Ratio permitted is 3.6 to 1. The proposed zoning reduces this ratio to 1.0 to 1.

#### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-1 zoning. Under the proposed zoning, Conditional Use authorization is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. The proposed zoning also is more restrictive in rear yard requirements. It requires rear yard setbacks at the ground level and above, while the existing zoning requires rear yard setbacks at residential levels only.

TABLE 21

SEC. 717.  
OUTER CLEMENT STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 717. Outer Clement Street Controls
No.	Zoning Category	§ References	
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size (Per Development)	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at grade level and above § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.0 to 1 § 124(a)(b)
.21	Use Size (Non-Residential)	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 11 p.m. C: 11 p.m. - 2 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	§ 607.1(f)2 P
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	§ 607.1(c)(d)(g)

SEC. 717.  
Outer Clement Street  
Controls by Story

No.	Zoning Category	§ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P		
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118	P		
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P		
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	P		
.52	Personal Service	§ 790.116	P		
.53	Business or Professional Service	§ 790.108	P		
.54	Massage Establishment	§ 790.60 § 2700 Police Code			
.55	Tourist Hotel	§ 790.46			
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	

## Restrictions on Type of Use and Use by Story

The proposed zoning for Outer Clement is more restrictive than the existing C-1 zoning in types of use and use by story. New bars, full service restaurants, small and large fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principle Use on all floors under C-1 zoning are prohibited under the proposed zoning. Financial service institutions under the proposed zoning require Conditional use authorization at the ground floor and are prohibited at the second floor and above. Non-residential uses at the second story and above generally are prohibited under the proposed zoning except for auto parking which requires authorization from the City Planning Commission through Conditional Use review.

## Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all floors. Housing conversions are permitted by right at the ground floor and prohibited on all upper floors. No such restrictions exist under the C-1 zoning. At the same time, the proposed controls are less restrictive in housing density standards, allowing 1 unit per 600 square feet of lot area, while the C-1 zoning generally allows 1 unit per 800 square feet.

## Other Requirements

The proposed zoning has some restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation, commercial walk-up facilities, and street frontage design.

## Physical Development Estimates

Physical development estimates for the Outer Clement district are shown in Table 22. Over a 10 year period the proposed zoning is estimated to provide about 20% less commercial development potential than would be provided under the existing zoning. This difference in the overall volume of commercial development potential is largely explained by difference in office space and eating and drinking space. Because the proposed controls prohibit any commercial development above the ground story, the potential amount of new office space is one-fourth less than that estimated under the existing zoning which allows commercial uses at all stories. A similar situation exists in relation to eating and drinking activity. By prohibiting new eating and drinking uses, the proposed controls essentially achieve a no-growth situation in regard to these uses, while the existing controls are estimated to provide up to 14,600 square feet in potentially new space for eating and drinking activity.

At the same time, more growth in retail and housing activity is estimated under the proposed controls. The growth in retail space under the proposed controls is one-third higher than such growth under existing controls. This additional retail would be possible because the ground story space cannot be occupied by eating and drinking uses and is not needed for accessory parking



TABLE 22  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, OUTER CLEMENT NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	55,600	56,500	17,600	129,700	56,000	2,300	188,000	271,800 (282)	459,800
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+6,600	+13,200	+4,900	+24,800	-16,400	0	+8,400	-200 (+1)	+8,200
Conversions of Use	+8,000	+10,500	+1,600	+20,200	-33,600	0	-13,400	+7,400 (+10)	-6,000
<b>Total Change</b>	<b>+14,600</b>	<b>+23,700</b>	<b>+6,500</b>	<b>+45,000</b>	<b>-50,000</b>	<b>0</b>	<b>-5,000</b>	<b>+7,200 (+11)</b>	<b>+2,200</b>
Potential Land Use	70,200	80,200	24,100	174,700	6,000	2,300	183,000	279,000 (293)	462,000
% Change-Land Use	+26%	+42%	+37%	+35%	-89%	0%	-3%	+3% +4%	0%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	+14,700	0	+14,700	-16,400	0	-1,700	+18,600 (+22)	+16,900
Conversions of Use	0	+18,500	+1,600	+20,200	-33,600	0	-13,400	+7,400 (+10)	- 6,000
<b>Total Change</b>	<b>0</b>	<b>+33,200</b>	<b>+1,600</b>	<b>+34,900</b>	<b>-50,000</b>	<b>0</b>	<b>-15,100</b>	<b>+26,000 (+32)</b>	<b>+10,900</b>
Potential Land Use	55,600	89,700	19,200	164,600	6,000	2,300	172,900	297,800 (314)	470,700
% Change-Land Use	0%	+59%	+9%	+27%	-89%	0%	-8%	+10% +11%	+2%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

to serve upper story office use which also is prohibited. The existing controls also are estimated to add 11 new units to the existing housing stock in the area, while the proposed controls are projected to add 32 units.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

The physical development estimates indicate that the proposed zoning could significantly curtail the rate of commercial development in Outer Clement and steer such development away from eating and drinking and office activity toward more housing and possibly more neighborhood-serving retail activity. The economic situation in Outer Clement is more complex, however, than the physical development estimates alone imply.

Outer Clement is a low-scale, low-intensity commercial area that is not likely to attract large increases in consumer demand for several reasons. One is its close proximity and competitive disadvantage vis-a-vis Geary Boulevard. Geary is a built-up, active commercial strip serving both citywide and neighborhood markets. Outer Clement is not strategically located to cut into these markets already served by Geary. Outer Clement also lacks major employment centers which could increase foot traffic and broaden its patronage. This is in sharp contrast to Inner Clement, which is located near French Hospital.

A large number of restaurants have flourished in Outer Clement over the past decade. Much of their patronage comes from outside the immediate area and even from outside San Francisco. This larger market has only limited economic benefit for the retail sector on Outer Clement. Most restaurant patrons come by car and during evening hours after most of the retail stores have closed. Retail outlets therefore have limited access to this larger market and are largely dependent on residents from the immediate area for patronage. All retail operators interviewed indicated that 90% of their customers come from the immediate neighborhood; patronage is declining as older residents have died or moved out and newer residents who have different shopping patterns have replaced them.

Interviews suggest that the increase in restaurants over the past decade is associated with a high rate of turnover in commercial property. It is these buyers who have been renting to restaurants. Much of this turnover occurred at a time when the property values and interest rates for real estate were rising. Many new owners purchased property at high prices with high interest rate mortgages from old property owners who had purchased their buildings at lower values and financed with lower interest rates. Such was the case with the ex-merchant interviewee from Outer Clement. When she originally went into business over 20 years ago, she paid \$100 a month rent. In 1981, she was paying only \$325 a month to the original landlord, but when the property was sold in the same year her rent went up to \$1,000 a month. This dramatic increase difference was sparked by the substantial increase in property values in recent years.

These economic factors have had a dramatic impact in the Outer Clement district because they are associated with gentrification of what was previously a relatively insular, low-intensity commercial and residential area. With levelling off of real estate prices and significant lowering of interest rates during the past year, rents should also stabilize.

While the proposed zoning controls will have little influence over these larger economic forces, it can help to foster an environment that is conducive to favorable resolution of the problems these forces have created. The proposed controls prohibit new additions to the eating and drinking sector and encourage growth in the housing and retail sectors. By prohibiting additional restaurants and eating and drinking establishments, the proposed controls will prevent new competitors from entering the market and thereby create a more favorable situation for existing eating and drinking establishments to take advantage of the citywide specialty market that has been developed for restaurant activity in Outer Clement. This would also stop the spread of parking and environmental problems associated with too many restaurants.

The proposed controls also create opportunities for growth in housing and the neighborhood-serving retail. They encourage conservation of the existing housing stock through restrictions on conversions, and provide incentives for the development of new units by increasing allowable densities. More potential space will become available in the neighborhood-serving retail sector, but the extent to which growth actually occurs depends on market factors. Outer Clement's retail market is highly localized, consisting primarily of residents in the immediate area. It cannot generate enough economic demand to stimulate growth in retail activity. In addition, small independently owned shops are not as profitable as they once used to be because of competition from chains. For example, a drug store operator states that the main problem facing his small store is the competition from the large franchise drug stores that are widely advertised and can offer the same goods at cheaper prices. Further competition has come from health maintenance and mail-order pharmaceutical plans. Industry-wide trends such as these will determine the extent to which the increased potential for retail growth created by the proposed zoning actually takes place.

## ASSESSMENT

The above analysis of the Outer Clement Street Neighborhood Commercial District supports the following conclusions:

- Relative to the existing controls the proposed controls are not likely to adversely impact the economy of Outer Clement.
- Under the existing controls, current imbalance between the eating/drinking sector and the retail and housing sectors in the Outer Clement economy could continue unabated. The proposed controls could reverse this trend by prohibiting new growth in restaurant activity and thereby relieving excessive competition among restaurant uses; making more space available for retail growth and thereby reversing the decline in neighborhood-serving outlets, assuming that industry-wide retail trends are favorable to such growth; encouraging conservation of the existing housing stock through limiting housing conversions; and encouraging new housing development through higher housing density standards.



## UPPER FILLMORE STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Upper Fillmore is a medium-scale commercial district consisting mainly of older 3-4 story buildings in good condition. Located in the south-central portion of Pacific Heights, it runs north-south along Fillmore Street from Jackson to Bush and extends west one block along California and Pine Streets. At present more than 85% of the district's ground floor frontage is devoted to commercial uses which are active during both day and evening. These uses include a number of convenience stores, such as groceries, clothing stores, beauty salons, and laundries, as well as restaurants and bars and one movie theatre.

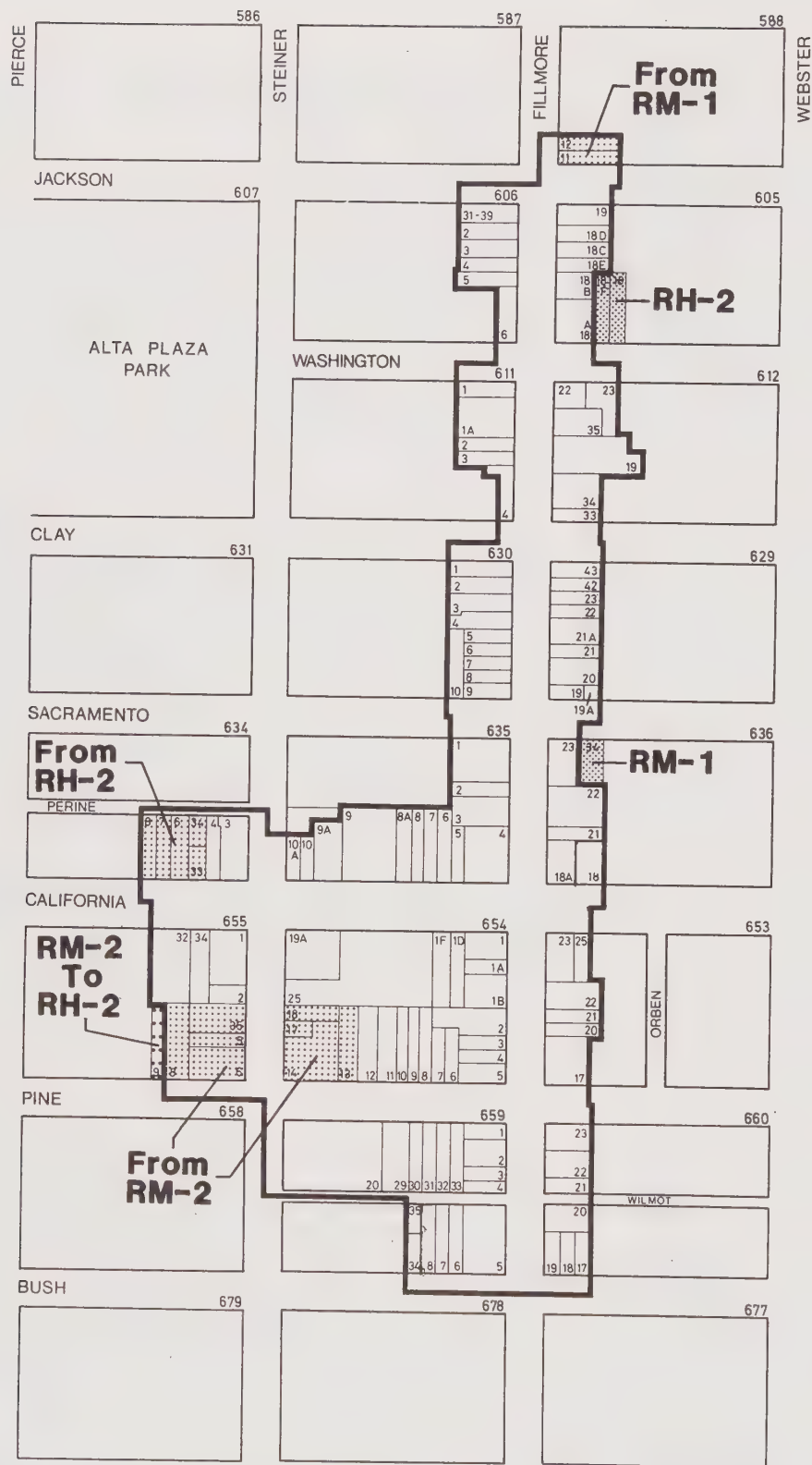
The basic division between daytime and night commercial activity has existed in Upper Fillmore for at least 20 years. But the volume and composition of both types of activity have grown and changed over the last five to seven years as Upper Fillmore has come to serve a larger and more diversified market. There has been a significant increase in the number of specialty grocery and clothing stores offering exclusive food and clothware products. In many cases, specialty groceries have replaced the traditional 'mom and pop' groceries. This suggests that the primary market area, consisting of those residents living within walking distance of Upper Fillmore, has come to include a more upper-income, singles-oriented population.

Upper Fillmore also serves a number of people who live outside the primary market area. The expansion of the Pacific Health Center, a large medical complex located one block east of Fillmore, has brought additional people to work in the area and who patronize Upper Fillmore for eating, shopping, and entertainment. The hospital in turn has attracted ancillary medical activities. The number of medical offices in Upper Fillmore has increased from 3 in 1979 to 18 at present. These medical uses form an integral part of the economic base of Upper Fillmore.

The growth in volume and variety of commercial activity that has occurred over the past several years has had a significant impact on the physical environment of Upper Fillmore. Among the more visible impacts is the conversion of upper-story residential space to commercial and office uses. In addition, the number of people living outside the area who patronize its shops, restaurants, and bars has added to traffic congestion. Concern about these problems on the part of both residents and merchants is largely responsible for the proposed rezoning controls for the area.

### OBSERVATIONS ON CURRENT TRENDS

Four interviews were conducted in the Upper Fillmore Commercial District. Interviewees include: 1 established merchant, 1 new merchant, 1 realtor, and 1 commercial property owner. Their observations cover the following topics: recent market changes, rent levels, and zoning controls.



## UPPER FILLMORE PROPOSED ZONING

Map 11

- NCD BOUNDARY
- ▒ ADDITIONS
- ▒ DELETIONS
- ▒ OTHER CHANGES

Except as noted, EXISTING ZONING is C-2



## Recent Market Changes

### Merchant

The established merchant who has operated a retail service on Upper Fillmore since 1980 comments on changes on the street since she has been there:

"The ones that have gone are ... neighborhood ... meaning shoe repair shops, laundries ... things like that."

She says the stores that are coming in are not necessarily national chains, but smaller regional chains such as Rainbow Records, Cocolat, etc. According to her: "They are the only ones who can afford the rents." She also says of the street:

"It has gotten safer. When we first moved here, there were a lot of strange people walking the streets and a lot of empty storefronts."

She says that crime, such as muggings and purse snatching, is still a problem, particularly at night, but it is not the kind of problem that deters daytime walk-in traffic.

### Merchant

The new merchant who opened a clothing store on Upper Fillmore in November 1986, says of the street:

"I'd say there is an increase in finer retail stores. I'm trying to wonder who's getting pushed out ... sleazy bars ... funky Five and Dime stores. There are more trendy stores."

"I think higher income people have always been here. The stores that are moving in are catering to them more. Also, more people prefer not going downtown as much as they used to."

"I'd say 95% (of my customers) are local - right from the neighborhood. About 5% are from outside the neighborhood."

### Realtor

The realtor interviewee agrees that neighborhood stores, such as cheap restaurants and coffee shops, have been replaced by gift shops, boutiques, and other "trendy" shops. He also estimates that the vacancy rate on the street is "zero". He says it is "very tight from Jackson to Geary Streets ... with virtually no vacancies. There is very little turnover. The competition is between Sacramento Street and Union Street which along with Upper Fillmore are appealing to a similar upscale market."

## Rent Levels

### Merchant

The established merchant says the rent for her second story office space is reasonable:

"Our rent is \$685. We have a 3 year lease with a 2 year option. We have a good lease and a good landlord."



#### Merchant

The new merchant pays \$2,100 a month rent for 1,400 square feet under a 3 year lease with a 3 year option. The lease has built-in increases of \$200 a year. She considers her rent to be reasonable.

#### Realtor

The realtor thinks the trend toward higher rents on Upper Fillmore is following a national pattern. According to him, the rate of rental increases on Upper Fillmore may be a little higher than the general rate of inflation because of Upper Fillmore's increasing appeal to an upscale market consisting primarily of upper-income residents from surrounding residential areas. He says the residential areas north of Sacramento Street have always been "upper income ... expensive. The real change is south of Sacramento with a higher-income residential population coming in". He adds:

"Only stores with a high mark-up, such as restaurants and boutiques, can survive because the rents are too high for neighborhood-serving retailers."

He says this trend primarily is occurring on the prime pedestrian activity blocks between Jackson and Sacramento Streets. "There are still a lot of neighborhood stores on other blocks."

#### Commercial Property Owner

The commercial property owner who owns "quite a bit" of commercial property on Fillmore, says that he gets an average of \$1.25 a square foot in rent for a ground floor space with a 25-foot frontage and an average of \$0.85 a square foot for upper story and large ground floor space. He says the reason he can afford to charge rents that are below average for the district is:

"I have old tenants. The big problem with the real estate industry is the vacancies. They have a vacancy factor to deal with. I don't have vacancies. My tenants stay. I can't put my tenants on the street. If they make a buck, I make a buck."

#### Zoning Controls

##### Merchant

The new merchant says:

"Yes ... I believe there is already an ordinance limiting how many seats a restaurant can add in. I think they are needed to help the restaurants that are already here. Stop over-competition. With too much competition, everybody loses."

##### Realtor

The realtor says of special zoning controls:

"I don't know whether they caused or relieved the problem. Certain laws have backfired in a way. If you cut off a supply then the price will go up, which means helping in the kind of businesses which you don't want to protect. To the extent they (the special zoning laws) want to keep neighborhood business people in, they have aggravated this problem. They have institutionalized the 'trendy' shops. The

controls have the effect of driving out businesses. (At the same time) this is a delicate matter. Without controls, traffic problems, congestion, etc., would increase."

#### **Commercial Property Owner**

The commercial property owner says controls "don't do a damn thing." He goes on to say "there shouldn't be any controls." He thinks a person should be free to open a restaurant even if all the other commercial uses on the street are restaurants. He is asked whether zoning controls exert undue pressure on rent behavior. He responds that he does not think zoning controls are important. He says: "The main purpose of controls is to create jobs for people like planners."

#### **DIFFERENCE BETWEEN EXISTING AND PROPOSED ZONING**

Existing controls for the Upper Fillmore District come under C-2 zoning. The proposed controls, shown on Table 23, are specifically designed for and unique to the Upper Fillmore District. They are designed to bring the zoning into conformity with the existing scale and character of physical conditions in the district.

#### **Restrictions on Height Limits and Floor Area Ratios**

Height Limit requirements are the same under both the existing and proposed zoning for Upper Fillmore. Floor Area Ratio requirements, however, are more restrictive under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 1.75 to 1 for commercial space.

#### **Other Restrictions on Scale of Development**

The proposed zoning adds restrictions on use size. Conditional Use authorization is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. The existing C-2 zoning does not have such restrictions. The proposed zoning has more restrictive rear yard requirements. It requires rear yard setbacks at the second story above and at all residential levels, while the existing zoning requires rear yard setbacks at residential levels only.

#### **Restrictions on Type of Use and Uses in Story**

Floor area ratios under the proposed zoning are calibrated to its controls on use, use by story and housing conversions. Non-residential uses are permitted on the second story as a right only if the Conditional Use requirements for conversion of existing housing have been met and only to the extent the floor area in the building is limited to 1.75 times the lot area. Non-residential uses above the second story are generally prohibited. New bars, full service restaurants, large and small fast food restaurants, take-out food outlets, and entertainment places which are permitted by right as a Principal Use under C-2 zoning are prohibited under the proposed zoning. Financial institutions, permitted on all floors under the current zoning, are restricted to the ground floor by Conditional Use authorization under the proposed zoning.

TABLE 23

**SEC. 718.  
UPPER FILLMORE STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE**

			SEC. 718. Upper Fillmore Street Controls
No.	Zoning Category	§ References	
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size (Per Development)	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.75 to 1 § 124(a)(b)
.21	Use Size (Non-Residential)	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118	P	C	
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P	P	
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	P	P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	P	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

			SEC. 718. Upper Fillmore Street Controls by Story		
No.	Zoning Category	§ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P		
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C



## Restrictions on Housing Conversions and Housing Density Standards

The proposed zoning is more restrictive on housing conversions. It prohibits conversions at the 3rd story and above and requires Conditional Use authorization for conversions at the second story. No such restrictions exist under the C-2 zoning. At the same time, the proposed controls are slightly less restrictive in housing density standards, allowing 1 unit per 600 square feet of lot, while the C-2 zoning generally allows 1 unit per 800 square feet.

## Other Requirements

The proposed zoning has some restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation, commercial walk-up facilities and street frontage design.

## Physical Development Estimates

Physical development estimates for Upper Fillmore are shown in Table 24. They indicate that the proposed zoning relative to the existing zoning will significantly reduce the overall volume of new commercial space permitted for development in Upper Fillmore, mainly by limiting development in new office space. Estimated growth in overall commercial space is close to 40% less under the proposed zoning, and estimated growth in office space is over 50% less. Less growth in eating and drinking establishments is also expected under the proposed controls. At the same time, the proposed zoning could help to reduce housing displacement and provide for a modest increase in retail space.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The primary difference between the current and proposed zoning in Upper Fillmore is the significantly lower amount of potential office space allowed under the proposed zoning. Assuming the demand for office space remained high enough to absorb all the new space indicated by the estimates, the impact of the proposed zoning would be to reduce the potential supply, and hence increase the office rents.

The economic effect of limiting growth in eating and drinking uses is more substantial. Here the proposed controls prohibit any increase in new or converted space. This would increase the value of existing bars and restaurants. The higher rents associated with restricted supply could in turn accentuate the trend on Upper Fillmore toward expensive trendy restaurants and away from cheaper cafes and coffee shops.

The proposed zoning controls should have positive impacts on other commercial uses and housing. Restrictions on eating and drinking uses will reduce the incentive for landlords to raise rents to levels beyond the reach of other retail uses. The prohibition against conversion of housing to office should help to stabilize residential rents and maintain the mixed use character of the Upper Fillmore area.

TABLE 24  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, UPPER FILLMORE NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	49,400	195,000	180,700	425,100	107,200	26,900	559,200	308,300 (375)	867,500
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+5,200	+20,800	+33,200	+59,200	-39,200	-13,200	+6,800	+41,500 (+46)	+48,300
Conversions of Use	+4,200	+16,700	+51,300	+72,100	-6,000	0	+66,100	-66,100 (-44)	0
<b>Total Change</b>	<b>+9,400</b>	<b>+37,500</b>	<b>+84,400</b>	<b>+131,300</b>	<b>-45,200</b>	<b>-13,200</b>	<b>+72,900</b>	<b>-24,600 (+2)</b>	<b>+48,300</b>
Potential Land Use	58,800	232,500	265,100	556,400	62,000	13,700	632,100	283,700 (377)	915,800
% Change-Land Use	+19%	+19%	+47%	+31%	-42%	-49%	+13%	-8% +1%	+6%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	+27,800	+14,000	+41,800	-39,200	-13,200	-10,600	+79,800 (+87)	+69,200
Conversions of Use	0	+14,600	+25,100	+39,600	-6,000	0	+33,600	-33,600 (-23)	0
<b>Total Change</b>	<b>0</b>	<b>+42,400</b>	<b>+39,100</b>	<b>+81,400</b>	<b>-45,200</b>	<b>-13,200</b>	<b>+23,000</b>	<b>+46,200 (+64)</b>	<b>+69,200</b>
Potential Land Use	49,400	237,400	219,800	506,500	62,000	13,700	582,200	354,500 (439)	936,700
% Change-Land Use	0%	+22%	+22%	+19%	-42%	-49%	+4%	+15% +14%	+8%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



## Economic Implications of Community Observations

Observations of current economic trends on Upper Fillmore reveal mixed signals regarding future development activity. On the one hand, based on an extrapolation of data from the recent past, it does not appear that the two uses most restricted under the proposed controls - namely eating/drinking and office uses - will experience large increases in demand. In the five years prior to adoption of the proposed zoning as interim controls, during which time the up-scale trend in commercial activity on Upper Fillmore emerged, the number of restaurants on the street increased by only one. The demand for additional restaurants along Upper Fillmore may have reached a natural plateau.

A similar situation exists in regard to offices. The number of ancillary medical offices on Upper Fillmore, largely resulting from the expansion of nearby Pacific Health Center, increased from 3 to 18 between 1979 and 1984. Extrapolating this rate of increase over the next 10 years and assuming an average of 1000 square feet per office would give a total volume of 30,000 square feet in new office space. This volume is less than the 39,000 square feet of new office growth which theoretically could be accommodated under the more restrictive proposed zoning controls. Thus, to achieve the build-out implied in the physical development estimates, future office growth on Upper Fillmore would have to occur at a higher rate than in the past. Given the fact that the physical development estimates are "worst case" scenarios and overstate the amount of development that will actually occur, the probability of future office growth significantly greater than in the past seems remote.

On the other hand, there are some indications that proposed developments in the redevelopment area south of Geary could spur increased future demand for expensive upscale restaurants and retail shops. So far the upscale trend toward expensive restaurants and retail shops along Upper Fillmore has been largely confined to three blocks, those between Jackson and Sacramento. It is here where realtors say that the asking price for commercial rents averages \$3.00 a square foot. The residential areas surrounding this section have always been upper-income and expensive. But as the realtor also points out, the real change is on the blocks south of Sacramento where a higher-income residential population is moving in. So far, these blocks still have neighborhood-serving eating places and convenience stores, but these uses and the residential areas which surround them could become vulnerable to displacement if commercial growth and demographic change in the surrounding residential neighborhood continues. The proposed zoning should help to reduce such vulnerability by limiting the volume and intensity of potential commercial growth along Upper Fillmore, particularly in new eating and drinking and office spaces and by providing controls for conserving existing housing.

## ASSESSMENT

The above analysis of the Upper Fillmore Street Neighborhood Commercial District supports the following conclusions:

- The proposed controls should have a stabilizing economic influence on commercial and residential activity in the Upper Fillmore district.



- Current growth trends in the district carry the possibility that development could increase over the coming decade at a scale that would alter the existing physical character and make existing moderate-income housing and neighborhood-serving commercial uses vulnerable to displacement. However, the restrictions which the proposed controls place on new eating and drinking activity, upper story office uses, and the scale of new and converted buildings should soften the volume and intensity of future commercial growth in a way that helps to maintain economic and income diversity in the district.

## HAIGHT STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

The Haight Street commercial district, located in northwest San Francisco near Golden Gate Park, is a pedestrian-oriented shopping area serving both neighborhood and citywide markets. It provides convenience goods and services to surrounding Haight/Ashbury residents and comparison shopping goods and services to the citywide market area. In addition, it has a number of establishments which encourage people to use the district in evening and night hours. These include a movie theater, a bowling alley, four dance halls, five places of entertainment, and one cabaret. Twenty two offices are located in the district, 11 of which occupy upper stories. Most of the upper-story space, however, is devoted to housing. Of the 368 housing units in the district, 95% occupy upper stories.

Commercial growth over the past 10 years has been characterized by an increase in eating, drinking, and entertainment establishments signifying a change in demand and consumer preferences. Presently, Haight Street has about 50 eating and drinking establishments comprising approximately 28% of the total commercial frontage. Growth in eating, drinking, and entertainment activity has tended to displace neighborhood-serving businesses and may have contributed to rent increase pressures on existing businesses. This growth also has generated parking shortages, traffic congestion, noise, and trash.

Recent growth can also be characterized as upscale. New trendy shops and restaurants, some part of regionally-based chain stores or franchises, have replaced the older shops from the 1960s which previously set the tone on the street. Bakers of Paris, Round Table Pizza, The Gap, and Ambience Clothing are examples of this new trend.

### OBSERVATIONS ON CURRENT TRENDS

Four interviews were conducted in the Haight Street neighborhood commercial district. Interviewees include 3 merchants and 1 commercial property owner. Their observations cover the following topics: change on Haight Street, rent levels, and zoning controls.

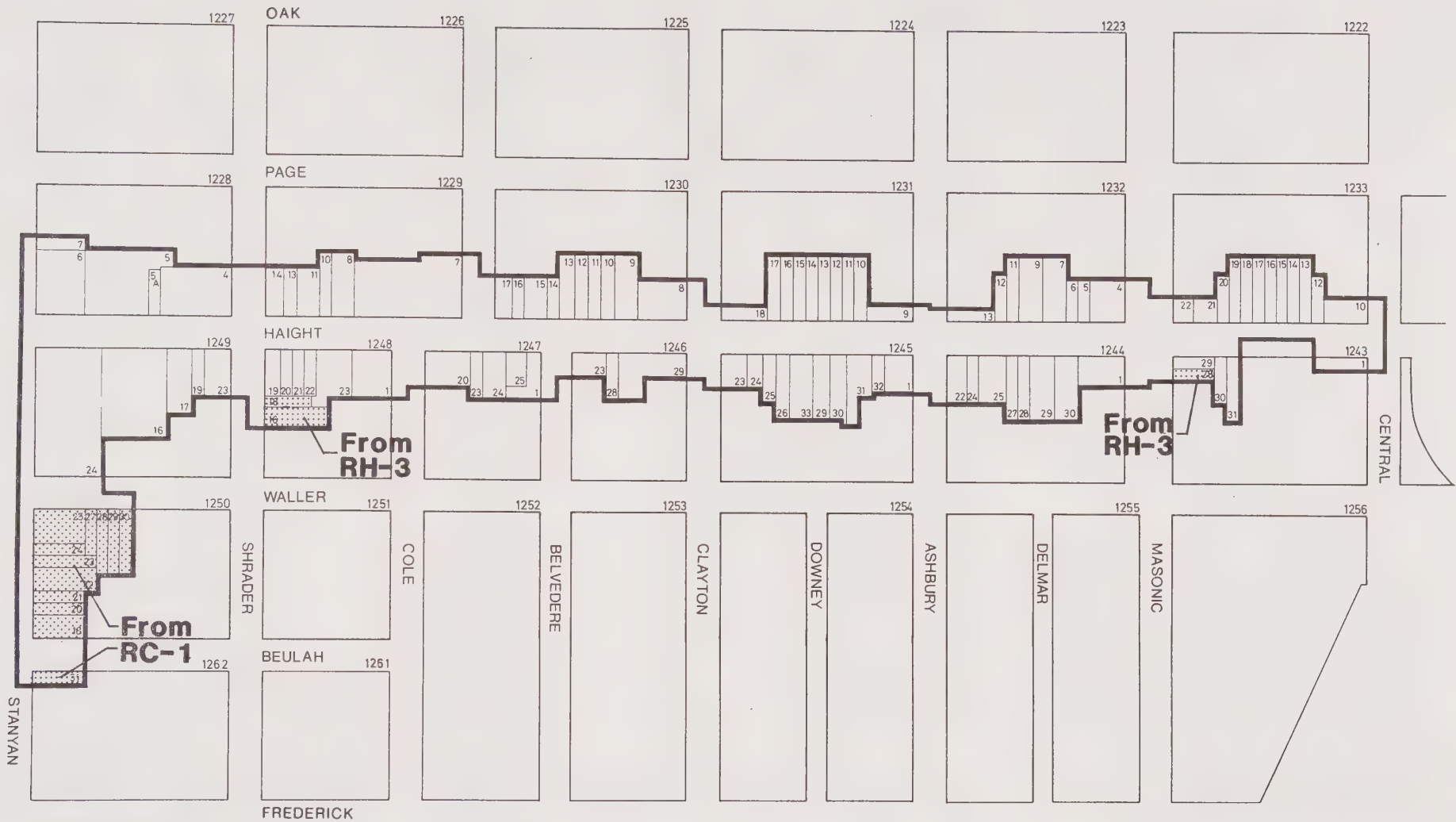
#### Change On Haight Street

##### Merchant

A new merchant who operates a nightclub in the Haight Street district says:

"I chose the Haight because I thought it was a neighborhood in transition ... from boarded-up shops in 1976 to people opening up new shops ... something else instead of headshops."

"I think that what's happening is that ... businesses that are offering services to a wider spectrum of people have come into the Haight ... like Bakers of Paris ... like clothing stores that offer a wide variety of clothes ... the same that you can get Downtown. The Gap is coming in next week. It is replacing Watuzi Records."



# HAIGHT PROPOSED ZONING

Map 12

**NCD BOUNDARY**  
**ADDITIONS**

Except as noted, EXISTING ZONING is C-2



She thinks changing demographics and an improvement in property values is largely responsible for the upscale trend on Haight Street.

"Property values have moved way up in the Haight. In the surrounding areas ... Upper Haight ... it costs about \$400,000 just to get a two-bedroom condominium ... in a two-flat Victorian. Some are much higher. Coming down to Lower Haight ... around Belvedere you have a lot of property owners who are living in their homes ... no more absentee owners."

#### Merchant

A merchant who helps to operate a food shop that has been on Haight Street since 1980 says:

"A lot of clothing stores and restaurants are moving in. Some of the cookie stores and boutiques have moved out, but they are being replaced by the same type of stores. Last season we had an explosion of 'yuppies', though now it seems to have mellowed out. There are not too many chains, but The Gap, McDonalds and the Round Table have moved in. People so far have reacted negatively. They don't want the Haight to be thought of as a fast-food franchise boulevard."

"Night-time uses ... they've increased absolutely. There are three now, all within a block of each other. It's good because it gives people a chance to see the Haight, to come back at another time to do some shopping. But the street should never become like Broadway."

"People are becoming aware of the Haight. People used to think poorly of it. People no longer see it as a hangout. There is a positive association when one thinks about the Haight."

#### Merchant

A member of a collective that operates an artist gallery on Haight Street says of change on the street:

"It's become a lot more polished, less 'funky', more fashion-conscious, and rents have gone up tremendously. There are more restaurants and clothes stores. The cost of living here is much higher. These stores, like The Gap, McDonalds, and Round Table Pizza should stay out. The Haight is a small business neighborhood, and unless the demographics change to support some of the chains, they won't survive. McDonalds is doing well because it's near the park. It's really not part of the Haight commercial strip."

He thinks the growth of more night clubs and bars on the street is a positive occurrence.

"None of them are too chic, none are too expensive, and they all lend to the diversity of the neighborhood. They've helped preserve the balance."

#### Commercial Property Owner

A property owner who has owned commercial and residential real estate in the Haight Street district for 6 years says the business environment on the street

has improved over the past 5 years due to "increasing vitality and no vacancies." He adds:

"The socio-economic level of the neighborhood is also going up and this tends to make businesses more profitable. This trend could be described as gentrification, meaning an increase in the number of singles, higher incomes, changing job backgrounds, and an increasing number of Whites."

## Rent Levels

### Merchant

The merchant interviewee who operates a nightclub says:

"My rent is reasonable. I pay \$1,800 a month. I have a fourteen-year lease. I pay for all improvements. I put \$36,000 in it ... all for permanent improvements."

She thinks that commercial rent is a problem:

"I'm for some sort of arbitration ... not all-the-way rent control. But there should be some responsibilities that the landlords have to meet ... like keeping their properties up to code ..."

### Merchant

The member of the collective operating an artist gallery on Haight Street says the collective pays \$350 a month for rent "which is incredibly good for this street."

### Commercial Property Owner

The commercial property owner says that a ground floor space with a 25-foot frontage rents for an average of \$2 a square foot and that an upper story of the same frontage rents for an average of \$1 a square foot. He says he has increased his rents an average of 10% a year on a compounded basis over the past 5 years. However, this can vary as he describes in the following case.

"In 1983 there was one lease that was about to run out so I increased the rent 30% that year, and 20% the next year so as to spread out the overall increase. This particular space was renting below market rate at the time the lease expired, but the increases brought the rent up to current rate."

## Zoning Controls

### Merchant

The nightclub operator says:

"I'm going to try to be specific. I don't know whether I should use my own example or generalize from what other merchants have brought to me. I think one of the jobs of the City Planning Department and Zoning is to inform the community about what's happening. There was inadequate community input on the proposed controls currently being enforced. I'd like to know how much merchant input went into these

controls. The way these controls are written now they draw battle lines between the merchants, (residential) tenants, and property owners."

Also, she says the controls that present the greatest problems are those that prohibit certain uses, e.g. bars and restaurants in the Haight:

"There should be no hard and fast rules for a neighborhood that is in transition. At least look at each one on a case by case basis. A neighborhood in transition should be allowed to grow ... to develop ... to find its way. Too many restrictions will reduce the number of the good businesses. We think everything should at least be Conditional Use. Look at everything on a case by case basis."

#### Merchants

Other merchant interviewees are not aware of special zoning laws for the Haight Street district.

### DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing controls for the Haight Street District come under C-2 zoning except for Stanyan Street between Waller and Beulah which is zoned RC-1. The proposed controls, shown on Table 25, are unique to the Haight Street District. They are designed to conform to the existing scale and character of development in the district.

#### Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and proposed zonings for Haight Street. Floor Area Ratio requirements, however, are more restrictive under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 1.5 to 1.

#### Other Restrictions on Scale of Development

The proposed controls are also more restrictive regarding scale of development. No restrictions on scale of development outside of Floor Area Ratios and Height Limits exist under the C-2 and RC-2 zonings. Under the proposed zoning Conditional Use permission is required for development on lots of 5,000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. The proposed zoning has more restrictive rear yard requirements. It requires rear yard setbacks at grade level and above, while the existing zoning requires rear yard setbacks at residential levels only.

#### Restrictions on Type of Use and Use by Story

The proposed zoning for Haight Street is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, small and large fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principal Use on all



TABLE 25

**SBC. 719.  
HAIGHT STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE**

			SEC. 719.
			Haight Street
		§ References	Controls
BUILDING STANDARDS			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at grade level and above § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.5 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1, 608.2	P § 607.1(c)(d)(g)

No.	Zoning Category	§ References	SEC. 719.		
			Haight Street Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15	C		
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P		
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

		§ 790.118	Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P		
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	C	
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	P		
.50	Limited Financial Service	§ 790.112	P		
.51	Medical Service	§ 790.114		C	
.52	Personal Service	§ 790.116	P	C	
.53	Business or Professional Service	§ 790.108	P	C	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

floors under C-2 zoning are prohibited on all stories under the proposed zoning. The only non-residential uses permitted on the second story under the proposed zoning are general retail, institutions and public uses through Conditional Use authorization, on the condition that no existing housing is converted and that the floor area ratio and other requirements are met. Non-residential uses at the third story and above generally are prohibited under the proposed zoning except for auto parking facilities which require public hearing and authorization from the City Planning Commission through Conditional Use review. The proposed zoning also is more restrictive than the existing RC-1 zoning portion of Haight which permits most commercial uses as a right on the ground story and through Conditional Use permission on the second story and above.

### Differences in Housing Controls

The proposed controls are more restrictive for housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all floors. Housing conversions are permitted by right at the ground floor and prohibited on all other floors. At the same time, the proposed controls are less restrictive in housing density standards. The proposed zoning provides for more efficient utilization of residential space by allowing 1 unit per 600 square feet of lot, while the C-2 and RC-1 zoning allows 1 unit per 800 square feet.

### Other Requirements

The proposed zoning has some restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation, commercial walk-up facilities and street frontage design.

### Physical Development Estimates

Physical development estimates for the Haight Street district are shown in Table 26. They indicate that the proposed zoning would permit approximately the same volume of overall commercial development as the existing zoning. The primary difference is the effect of the proposed zoning restrictions on the eating and drinking sector. It permits no growth in this sector, while up to 15,900 square feet could be accommodated under the existing zoning. This means there is a possibility that more growth in retail space could occur under the proposed zoning, up to 28,500 square feet as compared to 12,700 square feet in potential retail space under existing zoning. Potential development of offices and housing estimated under the proposed zoning is only slightly less than that under the existing zoning.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The primary economic impacts of the proposed controls in the Haight derive from the prohibition of new eating and drinking space. This restriction permits no growth in a sector which has been an integral part of the

TABLE 26  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, HAIGHT STREET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	101,300	262,100	36,400	399,800	60,000	9,100	468,900	308,500 (279)	777,400
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+4,400	+18,800	+2,500	+25,600	-15,000	-2,500	+8,100	+30,500 (+37)	+38,600
Conversions of Use	+11,500	-6,100	0	+5,400	-3,900	0	+1,500	-1,500 (-1)	0
<b>Total Change</b>	<b>+15,900</b>	<b>+12,700</b>	<b>+2,500</b>	<b>+31,000</b>	<b>-18,900</b>	<b>-2,500</b>	<b>+9,600</b>	<b>+29,000 (+36)</b>	<b>+38,600</b>
Potential Land Use	117,200	274,800	38,900	430,800	41,100	6,600	478,500	337,500 (315)	816,000
% Change-Land Use	+16%	+5%	+7%	+8%	-32%	-27%	+2%	+9% +13%	+5%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	+23,100	+1,900	+25,000	-15,000	-2,500	+7,500	+27,200 (+33)	+34,700
Conversions of Use	0	+5,400	0	+5,400	-3,900	0	+1,500	-1,500 (-1)	0
<b>Total Change</b>	<b>0</b>	<b>+28,500</b>	<b>+1,900</b>	<b>+30,400</b>	<b>-18,900</b>	<b>-2,500</b>	<b>+9,000</b>	<b>+25,700 (+32)</b>	<b>+34,700</b>
Potential Land Use	101,300	290,600	38,300	430,200	41,100	6,600	477,900	334,200 (311)	812,100
% Change-Land Use	0%	+11%	+5%	+8%	-32%	-27%	+2%	+8% +11%	+4%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



commercial growth on Haight Street the past 10 years. The potential economic impacts of this restriction could be significant. On the one hand, by reducing the amount of space available for growth of eating and drinking establishments, the controls could exert upward pressure on the rents paid by these businesses. At the same time, the controls would also improve business conditions for existing eating and drinking establishments by limiting competition from new such uses entering the market.

A different situation faces retailers. Restriction on growth of eating and drinking establishments could mean more space would become available for retailers. The greater availability of retail space means more retailers could enter the market. This would have the effect of reducing the pressure on rents paid by retail space users. Greater availability of retail space might also help to introduce more variety among the types of retail activity on the street and thereby strengthen the role of neighborhood-serving retail uses. At the same time, for specialty retailers it could mean more competition from new entrants.

Other controls in the proposed zoning for the Haight are not likely to have significant economic impact because the restrictions they place on supply do not affect types of space in demand. For example, there is little demand for retail space on 2nd and 3rd stories. Office rents also decline substantially above the second story. The prohibition on these uses above the second story under the proposed controls will have little economic significance. By allowing them on the second story through Conditional Use permission, the proposed controls could accommodate some growth in office uses at the second story when appropriate. The amount of growth, however, is likely to be limited because of the prohibition on conversion of existing housing units. This will ensure that any major pressure for new office growth, which could come from nearby institutions such as the University of California-San Francisco and St. Mary's Hospital, does not encroach upon Haight Street.

### Economic Implications of Community Observations

The primary concerns of community members about of potential impacts on the Haight Street commercial economy center on the restrictions which the proposed controls place on eating and drinking activity. Commercial growth in the Haight has been on an upswing since the early seventies, when the area was stagnant with low consumer patronage and high vacancy rates among its businesses. Will the restrictions on the eating/drinking sector dampen this upswing? Will they halt the revitalization presently occurring?

In examining this question, it is necessary to address community perceptions regarding the nature of the change occurring on Haight Street. Most interviewees have strong opinions, either favorable or unfavorable, about the newer, more expensive, upscale shops which are replacing the older shops which emerged in the sixties when the Haight was the mecca of a nationwide 'counterculture' movement. In terms of economic structure, the Haight of the eighties has some similarities to the Haight of the sixties. Both are primarily centers of intense retail and eating/drinking activity at a relatively dense pedestrian scale. Both appeal to a youthful and singles-oriented market. But there the similarities end. Changes in the

income, lifestyles, and shopping preferences of the people who live in the area today account for much of the growth of the past 10 years. The Haight of the sixties catered to a more transient population with lower incomes consisting of people who assembled from all parts of the country to celebrate the Age of Aquarius. The Haight of the eighties caters to a more stable, sedentary population who have located in the Haight and nearby residential areas with the intention of remaining in place. Because of the nationwide reputation the Haight district acquired during the sixties, businesses in the district attract a citywide patronage. But the economy of the area is becoming more neighborhood oriented, and the current upswing in growth is in fact a response to a less transient and more affluent population living in surrounding neighborhoods.

The restrictions which the proposed controls will place on eating and drinking activity are therefore in keeping with the evolution of the Haight Street district toward a more neighborhood-oriented commercial district. The district has inherited a large number of bars, restaurants, and other eating places by virtue of its role in the sixties. But for the eating and drinking sector to sustain continued growth, it would have to attract a significantly larger patronage, which would be difficult insofar as the district is not well located to capture demand from the citywide and regional market, and is not readily accessible from the major tourist centers of the city. Over the long run, it is doubtful that Haight Street can compete with other more strategically located neighborhood commercial districts, such as Broadway, North Beach, Union Street, or even Polk Street, which supply these larger citywide and tourist markets. Haight Street also lacks the parking and transit capacity to support such growth.

The proposed controls do not halt change in business activity among eating and drinking uses. They simply restrict net growth in the amount of commercial space allocated to these uses. Within the parameters of this restriction, there can still be changes in ownership, operation, and service orientation among existing uses to respond to changes in consumer preferences and lifestyle in the Haight Street area.

## ASSESSMENT

The above analysis of the Haight Street Neighborhood Commercial District supports the following conclusions:

- The proposed controls should help to encourage better balance among different commercial uses and housing in the Haight Street district and thereby sustain the vitality of the revitalization already underway.
- The restrictions which the proposed controls place on additional eating and drinking space could exert inflationary pressure on such space in the district, but this potentially adverse effect would be offset by improvement of business conditions for existing eating, drinking and entertainment establishments; limiting the possibility of over investment in these activities; and increasing the availability of space that could become available for other neighborhood-serving retail activity.

- Due to requirements for Conditional Use authorization and prohibition of housing conversions, the proposed controls are likely to permit only a modest amount of office growth; this should help to discourage pressure for office growth that could come from nearby medical institutions.
- The more favorable balance between different types of commercial uses which is possible under the proposed controls is in keeping with Haight Street's evolution since the 1960s towards a more neighborhood orientation.



## HAYES-GOUGH NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Hayes-Gough is a mixed residential and commercial district. Located near the City's performing arts complex and Civic Center, it lies west of Franklin Street, east of Laguna Street and extends from Grove Street on the north to Lily Street on the south. Within this irregular perimeter approximately 140 commercial uses are interspersed among 661 dwelling units, most of which are located in the upper stories of two- and three-story structures. The more active commercial uses cater to workers and visitors from Civic Center, the performing arts complex, and business and professional offices. They primarily consist of eating and drinking establishments and art galleries which are concentrated along Hayes Street. Business and professional service are limited to legal offices, most of which are located between Grove and Fell Streets. The remaining commercial uses consist primarily of less intense neighborhood-oriented retail services.

Outside of the pockets of concentrated retail, eating and drinking, and office uses, commercial activity in the Hayes-Gough district is scattered with only one-half of its total ground floor frontage devoted to retail uses. Many lots are developed below the potential building envelope allowed under current zoning. Many businesses occupy large underutilized parcels. These include five gas stations and auto repair facilities, four public parking lots, five light manufacturing and wholesaling uses, three storage facilities, as well as three vacant lots.

The primary trend affecting Hayes-Gough in recent years has been the conversion of housing to offices and other commercial uses. Over the past five years, approximately 200 housing units have been converted and/or demolished. Public concern about these conversions and the resultant loss of affordable housing has led to the imposition of a Housing Conservation Special Use District to restrict residential conversions in the district. These controls would be replaced by the permanent controls now proposed.

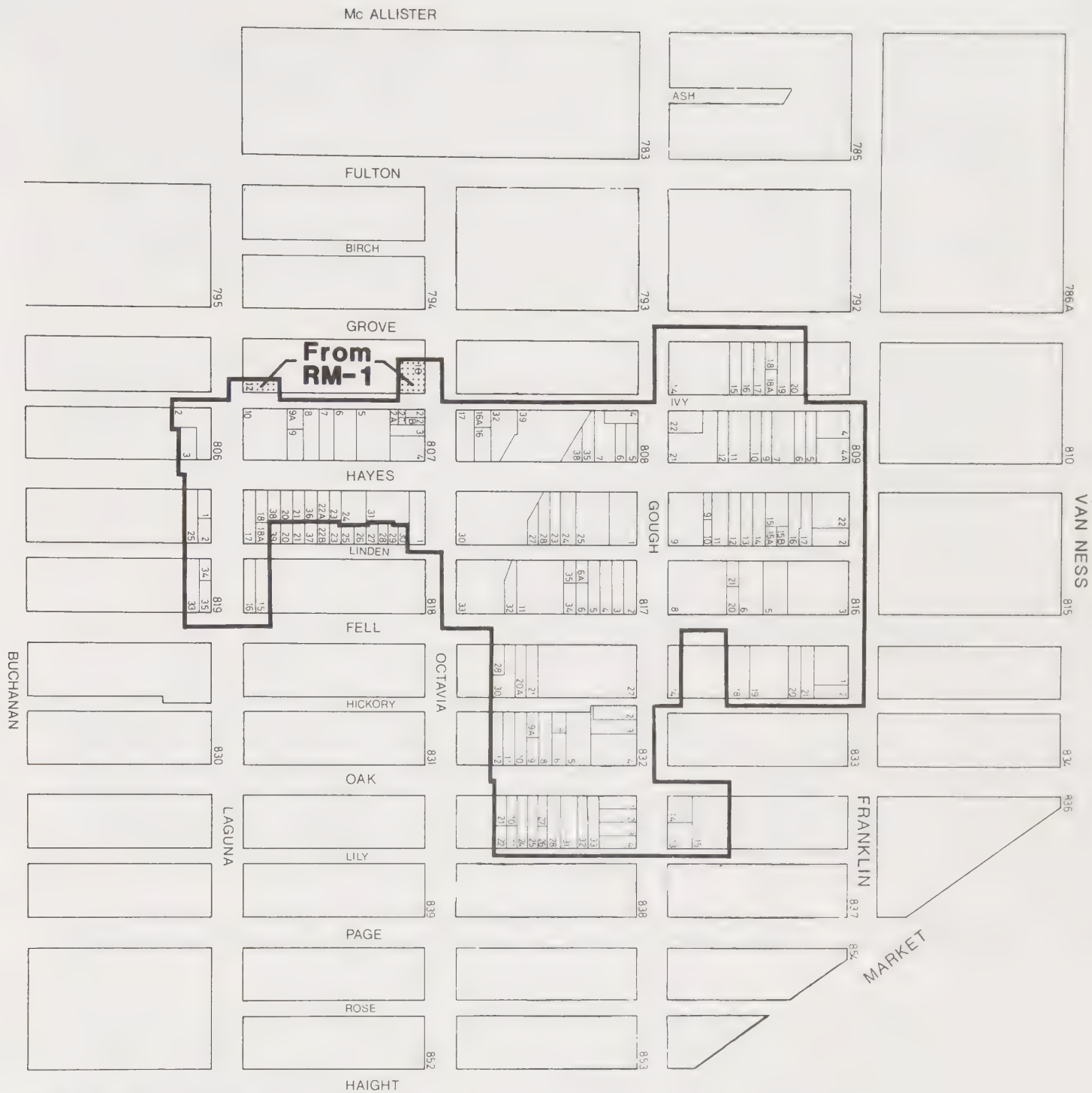
### OBSERVATIONS ON CURRENT TRENDS

Six interviews were conducted in the Hayes-Gough Neighborhood commercial district. Interviewees include 3 merchants, 2 commercial property owners, and 1 resident. Their observations cover the following topics: change in the Hayes-Gough area, rent levels, and zoning.

#### Change In The Hayes-Gough Area

##### Merchant

A merchant who has operated a retail service in the Hayes-Gough area since 1980 says that five years ago cab drivers refused to go through this area. He mentions that the neighborhood was neglected by the City in terms of police protection and adequate street lighting and cleaning. The area has recently changed to accommodate the opera goers. A lot of new restaurants have been established. Night-time uses have increased. According to him, now the area



## HAYES-GOUGH PROPOSED ZONING

Map 13

— NCD BOUNDARY  
 ..... ADDITIONS

Except as noted, EXISTING ZONING is C-2



is "up and coming" and neighborhood residents have little reason to feel resentful. The City is paying more attention to the neighborhood.

#### **Merchant**

A merchant who has operated a junk shop on Hayes Street since 1970 says:

"This neighborhood is growing up good. The thugs are gone. The place is clean now. No drugs, no people in cars asking women for dates. The women are safe now. For me, business hasn't been too good, but for the area, business has gotten so much better. It's so clean."

#### **Commercial Property Owner/Realtor**

Two partners in a realty and property management firm, which is active in the Hayes-Gough business community and owns commercial property right outside the district boundary, say that Hayes-Gough means two things to them: Hayes Street proper with its art galleries, expensive restaurants, and body culture facilities, and the other parts of the district. They refer to this difference as the difference between "aces to spaces." 'Aces' mean the boutiques in the Hayes Street area and 'spaces' mean empty lots toward Market Street. The Hayes Street area is totally different from the Gough/Market area.

#### **Resident**

The resident/owner of an older residential hotel who has lived in the Hayes-Gough area for over 20 years says:

"During the 'decaying decade' of the 1970's, 3 drugstores and a bank left, and so did a number of other necessary stores. People started hanging out in front of the boarded up storefronts, and hanging out at the bars. Now there are healthy businesses which provide a safer environment. There are more people on the streets to look out for each other. The people from Davies Hall, they park here, and so there are more police around the area to look out for them. And with more police, the neighborhood is safer."

He adds that as a result of these improvements, "property values have gone up and that means there's more activity. Lower value comes from empty stores."

#### **Rent Levels**

##### **Merchant**

One merchant interviewee currently pays \$1,032 per month for 620 square feet. He signed a four-year lease with a four-year option in 1982. Since then his rent has gone up only \$80, while according to him the rents for most merchants have increased by 30% to 40% over this same time period. He says: "Because of rent increases, some of the art galleries have had to move out."

##### **Merchant**

A merchant who operates an art gallery on Hayes Street did not reveal her rental rate, but said she has a 10 year lease with renegotiation opportunities in 5 years.



#### Commercial Property Owner/Realtor

The commercial property owner/realtor says rents in the Hayes-Gough area range from \$1.25 to \$2.25 for a retail space at the ground level with an average 25 feet frontage and from \$0.75 to \$1.25 for a larger retail space with an average square footage of 4,000 square feet or more.

"The rents for the past five years in the Gough/Hayes area have had a slow but steady increase, with a slightly higher percentage increase over the last 12-18 months."

#### Zoning Controls

##### Commercial Property Owner/Realtor

The commercial property owner/realtor says:

"For us the zoning for the area is detrimental economically. If our lot was used for residential we'd have to have underground parking. But building residential is not feasible. It's perfect for back office space. Since we're outside of Downtown, again we're required to have parking. The FAR used to be 9 to 1 and now it's 3.6 to 1. This downzoning, including the height limit reduction, from 105 feet to 80 feet, is bad. The Hayes-Gough zone stretches a long way and it's diverse. We happen to be in a very specialized part of it that needs a closer, special look."

#### DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing controls for the Hayes-Gough District come under C-2 zoning. The proposed controls, shown on Table 27, are specifically designed for and unique to the Hayes-Gough Street District. They are more reflective of the existing height and bulk characteristics in the district.

#### Restrictions on Height Limits & Floor Area Ratios

The proposed zoning is more restrictive than the existing zoning for Hayes-Gough in both Height Limit and Floor Area Ratio requirements. The proposed zoning reduces the height limits for certain blocks and parcels in the Hayes-Gough district. The specific blocks and parcels to which these lower height limits apply are shown in the height control map for the Hayes-Gough district. The maximum Floor Area Ratio permitted under the existing C-2 zoning is 3.6 to 1, and in some circumstances relating to its proximity to RM-4 or RC-4 districts, could be 4.8 to 1. The proposed zoning would reduce these ratios to 2.5 to 1.

#### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. The proposed zoning

TABLE 27

SEC. 720.  
HAYES-GOUGH NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 720. Hayes-Gough
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	50-X, 65-A See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 9999 sq.ft., C 10,000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at residential levels only § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	2.5 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2999 sq.ft., C 3000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			SEC. 720. Hayes-Gough		
No.	Zoning Category	§ References	Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 400 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 140 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 60 sq.ft. if private, or 80 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P	C	
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	P	
.41	Bar	§ 790.22	P		
.42	Full-Service Restaurant	§ 790.92	P		
.43	Small Fast Food Restaurant	§ 790.90	P		
.44	Large Fast Food Restaurant	§ 790.91	C		
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	P		
.50	Limited Financial Service	§ 790.112	P		
.51	Medical Service	§ 790.114	C	P	C
.52	Personal Service	§ 790.116	P	P	C
.53	Business or Professional Service	§ 790.108	C	P	C
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

requires Conditional Use authorization for all development on lots of 10,000 square feet or more and for all non-residential development with a use size of 3,000 square feet or more.

### Restrictions on Type of Use and Use by Story

The proposed zoning for Hayes-Gough is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, small and large fast food restaurants, take-out food outlets, and financial service institutions, which are permitted by right as a Principal Use on all stories under C-2 zoning, are prohibited above the ground story under the proposed zoning. Offices which are permitted on all stories under the existing zoning require Conditional Use authorization above the second floor under the proposed zoning. Such authorization is contingent upon their not displacing existing housing and meeting floor area ratio, height limits and other requirements. Tourist hotels, auto parking facilities, and public uses which are permitted at all floor levels under the existing zoning require Conditional Use authorization under the proposed zoning.

### Differences in Housing Controls and Other Requirements

The proposed controls for residential demolition and conversion are different from the existing controls. While the existing C-2 zoning with the Housing Conservation Special Use District overlay requires Conditional Use review for all demolition and conversions, the proposed interim controls are more differentiated for conversion: On the ground story, conversion is permitted as of right; on the second story, it requires Conditional Use authorization; and on the third story and above, conversions are prohibited. At the same time, the proposed controls are less restrictive in housing density standards, the proposed zoning allowing 1 unit per 400 square feet of lot, while the C-2 zoning allows 1 unit per 800 square feet. In addition, the proposed zoning for Hayes-Gough has some restrictions which do not exist under the current zoning. These include requirements relating to commercial hours of operation, commercial walk-up facilities and street frontage design.

### Physical Development Estimates

Table 28 shows the theoretical differences in physical development that could result from the difference between the existing and proposed zoning for Hayes-Gough. In effect, the greater restrictiveness of the proposed controls applies primarily to the office sector of the Hayes-Gough district. According to the development estimates, the total volume of new commercial space that could be developed under the proposed zoning over a ten-year period is 95,000 square feet less than that which could be developed under the existing zoning. Virtually all of this difference occurs in office development. The new office space estimated under the existing zoning would be 2 1/2 times greater than that estimated under the proposed zoning. In the housing sector, the estimates of potential development are in direct contrast to those in the office sector. The proposed controls could encourage a significant amount of new housing, over 100 units, while the existing controls could lead to a loss



TABLE 28  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, HAYES-GOUGH NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	25,900	178,400	148,800	352,100	123,700	37,500	513,300	501,500 (761)	1,014,800
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+2,200	+20,200	+115,200	+137,700	-56,700	0	+81,000	0 (0)	+81,000
Conversions of Use	+900	+7,800	+25,600	+34,300	-14,400	0	+19,900	-19,900 (-17)	0
<b>Total Change</b>	<b>+3,100</b>	<b>+28,000</b>	<b>+140,800</b>	<b>172,000</b>	<b>-71,100</b>	<b>0</b>	<b>+100,900</b>	<b>-19,900 (-17)</b>	<b>+81,000</b>
Potential Land Use	29,000	206,400	289,600	524,100	52,600	37,500	614,200	481,600 (744)	1,095,800
<b>% Change-Land Use</b>	<b>+12%</b>	<b>+16%</b>	<b>+95%</b>	<b>+49%</b>	<b>-57%</b>	<b>0%</b>	<b>+20%</b>	<b>-4% -2%</b>	<b>+8%</b>
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+3,100	+27,900	+33,100	+64,100	-56,700	0	+7,400	+85,900 (+105)	+93,300
Conversions of Use	+600	+5,400	+6,300	+12,300	-9,400	0	+2,900	-2,900 (-3)	0
<b>Total Change</b>	<b>+3,700</b>	<b>+33,300</b>	<b>+39,400</b>	<b>+76,400</b>	<b>-66,100</b>	<b>0</b>	<b>+10,300</b>	<b>+83,000 (+102)</b>	<b>+93,300</b>
Potential Land Use	29,600	211,700	188,200	428,500	57,600	37,500	523,600	584,500 (863)	1,108,100
<b>% Change-Land Use</b>	<b>+14%</b>	<b>+19%</b>	<b>+26%</b>	<b>+22%</b>	<b>-53%</b>	<b>0%</b>	<b>+2%</b>	<b>+17% +13%</b>	<b>+9%</b>

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

of 17 units. Hence the potential effect of the proposed zoning is to significantly curtail office growth and favor maintenance of the existing housing stock and new housing development.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The principle economic effect of the proposed controls would be to increase the value of office space in the Hayes-Gough district. The Hayes-Gough area has a number of vacant and underutilized parcels which could be developed; the reduced Height Limits and Floor Area Ratio requirements under the proposed controls, coupled with the restriction on upper story office uses, would limit the volume of new office development that could be obtained from these sites. Assuming strong growth in future demand for new office space in the area, the proposed controls could reduce opportunities to develop new office space and make such space more expensive to rent.

This economic effect is offset by the greater amount of housing that could be developed under the proposed controls. By increasing the Housing Density Standard for the district to 1 unit per 400 square feet of lot area, the proposed controls could improve the financial feasibility of building new mixed-use projects with retail and offices on the first two floors and housing on the upper floors. Although much of this new housing is not likely to be affordable to low and moderate income households currently living in the area, encouraging construction of new units on sites either vacant or not now occupied by housing and restricting housing conversions and demolitions should help to conserve the existing housing units presently occupied by lower income households.

### Economic Implications of Community Observations

The primary question raised by the community interviews in the Hayes-Gough district concerns the geographical spread of new commercial growth in the district. So far, growth has been unevenly distributed within the district. Most of the growth of offices and new eating and drinking places has been concentrated along Hayes Street. Some portions of the Hayes-Gough district, particularly those blocks toward Market Street, are not yet affected by the revitalization that has occurred along Hayes Street. Certain segments of the Hayes-Gough business community feel that these quieter portions of the district have been neglected by the City. They also feel that the proposed controls, by lowering the Height Limit and the Floor Area Ratio and by restricting upper story commercial uses throughout the entire district, could actually discourage further revitalization from taking place.

These concerns have to be evaluated in light of the strength of the economic demand in the Hayes-Gough district. If the economic demand in an area is weak, there is very little that a zoning change can do to strengthen it. Zoning controls determine the amount of commercial space that can be built, but cannot create the demand needed to fill this space.

In the case of Hayes-Gough, the increase in economic demand over the past decade has spurred revitalization along the Hayes Street portion; however, it has not spilled over into the rest of the district where numerous vacant and low intensity sites are located which could be developed to higher uses. Growth opportunities may increase in this section of the district as a result of expansion in nearby governmental activities and ancillary services, such as offices for attorneys, accountants, and consultants.

If such growth occurs, the zoning controls will maintain balance, prevent mixed commercial-residential buildings from converting entirely to offices, and ensure that existing housing remain to provide a market base for neighborhood-serving retail uses. The existing zoning would make it difficult to achieve this kind of balance. In contrast, the proposed controls, by limiting the commercial buildout on any given site, should encourage mixed use development opportunities on a larger number of sites than do the existing controls while also encouraging retention of existing housing units. This would also help spread growth over a larger geographical area, bring pedestrian activity and increased commercial demand to those portions of Hayes-Gough that are yet untouched by the current revitalization, and achieve a more favorable mix between the new commercial uses along Hayes serving Civic Center and the performing arts complex and the older more neighborhood-oriented commercial uses serving established residential areas elsewhere in the district.

## ASSESSMENT

The above analysis of the Hayes-Gough Neighborhood Commercial District supports the following conclusions:

- The proposed controls should help retain the balance of commercial and residential uses by preventing buildings from converting completely to offices and encouraging new mixed-use development which also will provide a market base for neighborhood-serving commercial uses.
- Given the uneven development pattern that currently exists in the Hayes-Gough district, the greater restrictions under the proposed controls could have a positive economic impact by encouraging future growth to spread outward rather than upward, and thereby bring vitality and vibrancy to a wider area in the Hayes-Gough district.



## UPPER MARKET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

The Upper Market Street neighborhood commercial district is situated at the border of Eureka Valley, Buena Vista, and Duboce Triangle neighborhoods. The district extends three long blocks along Market Street from Church to Castro Streets, in addition to several adjacent blocks and lots on the cross streets, particularly Church and Noe. Because of its 120 foot width, Upper Market Street serves as the physical boundary for several neighborhoods, but essentially belongs to none. The approximately 130 buildings in the district are relatively evenly distributed among one-, two-, and three-story structures. Many lots in the district which exceed 8,000 square feet are developed below their potential height. These include a number of vacant and large triangular corner lots and contain a motel, several large auto-oriented retail stores, and five gasoline stations. At the same time many lots are fully developed at the ground story. Sixty percent have no rear yards or yards which measure less than 25% of the lot depth.

Upper Market is a multipurpose commercial district that provides limited convenience goods to its several bordering neighborhoods.

Neighborhood-serving grocery and retail stores are a small percentage of ground floor uses. It also serves as a specialty shopping street for a broader trade area with some uses serving the Castro Street clientele. More prevalent are business, professional, and medical service offices which account for about 40% of all commercial uses. Many offices occupy converted ground- and upper-story commercial and residential space. The district also contains about 40 eating and drinking establishments.

In addition, the district contains over 300 upper story housing units. Many of these units are in large Bavarian and Spanish style structures as well as smaller frame structures. Between 1979 and 1984, 13 apartment units were legally converted to commercial uses. Nonetheless, dwellings still account for 87% of all upper story uses.

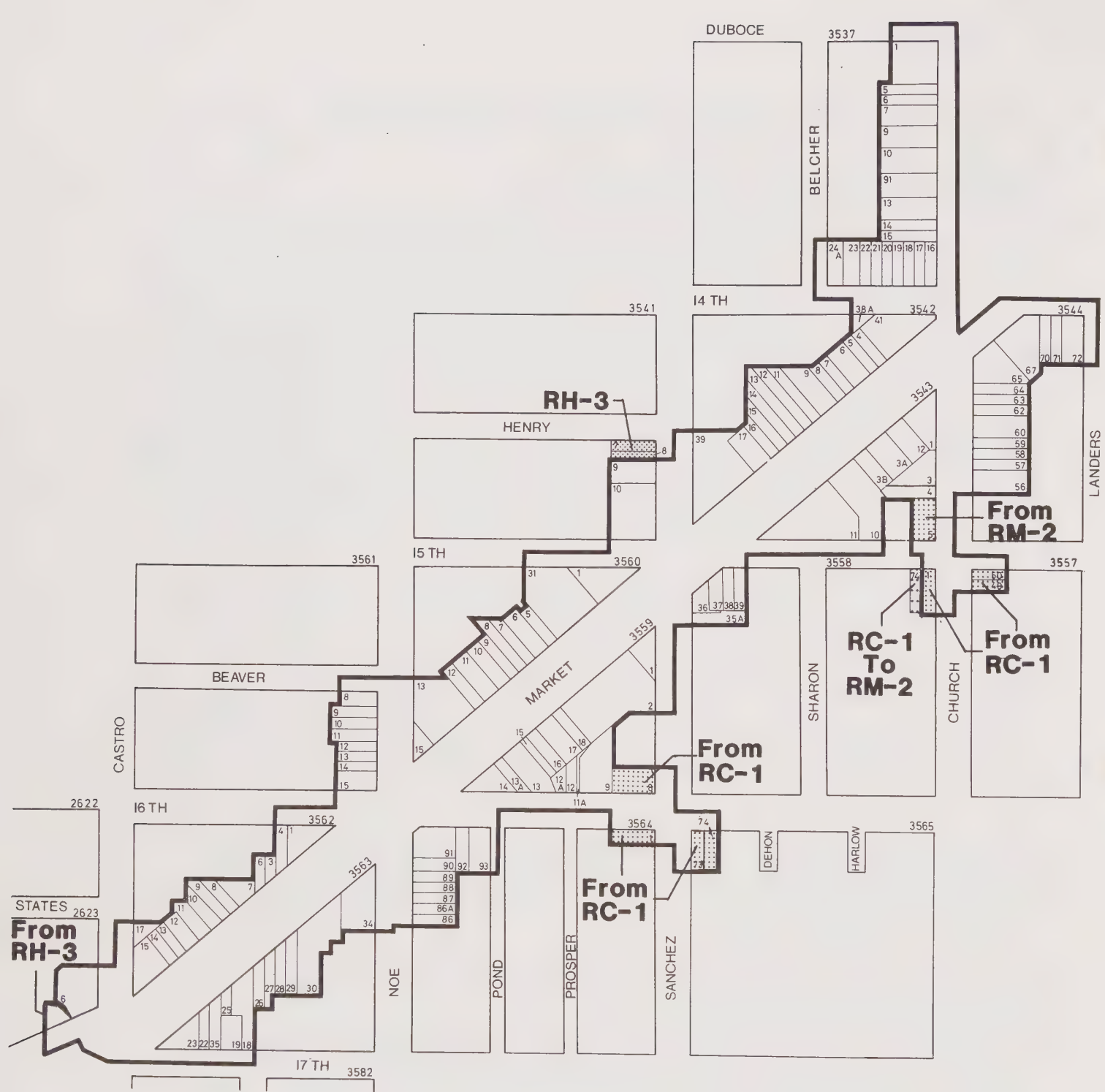
### OBSERVATIONS ON CURRENT TRENDS

Five interviews were conducted in the Upper Market neighborhood commercial district. Interviewees include one new merchant, three established merchants and one realtor. Their observations cover the following topics: change on Upper Market Street and rent levels.

#### Change On Upper Market

##### Merchant

A merchant who opened a restaurant on Upper Market in 1984 says the market his business serves is local. There is very little pedestrian traffic; so most customers come to his restaurant because they know of it by word of mouth. He has tried advertising, but it has not helped to increase his patronage.



## UPPER MARKET PROPOSED ZONING

Map 14

- NCD BOUNDARY
- ..... ADDITIONS TO NCD AND UPPER MARKET  
SPECIAL SIGN DISTRICT
- DELETIONS
- OTHER CHANGES



Except as noted, EXISTING ZONING is C-2 with  
UPPER MARKET SPECIAL SIGN DISTRICT

He says he is not fully aware of what is going on along the frontage of Market Street outside the mall where his restaurant is located. He observes that within the mall many store spaces have turned over more than once, especially food services, and many are presently vacant. One positive note is that Pier One Imports moved into the mall recently, occupying 50% of the space and replacing several small storefronts.

#### **Merchant**

A merchant who operates a family laundry moved to Upper Market district in February 1986 from a location in the 400 block of Castro where they had been for many years. They moved because the rent for their old space on Market was increased to \$5,000 a month. They chose the Upper Market location to stay as close as possible to their Castro clientele. So far they have been able to hold on to the 75% of their clientele. He says his market is entirely local.

#### **Rent Levels**

A merchant who has operated a specialty retail shop in the Upper Market district since 1978 says:

"The small businesses have left. By that I mean gift shops and service shops. There have been more increase in franchise operations. The reason? Probably higher rents and lack of parking."

He mentions that district merchants and residents from the surrounding residential neighborhoods tend to be at odds, particularly over off-street parking. The merchants would like off-street parking to ease traffic and parking congestion, while residents from the surrounding residential neighborhoods feel that the increased business attracted by more off-street parking would have an adverse impact on the livability of their neighborhoods.

He adds that Upper Market is not really a part of the surrounding neighborhoods. Only 20% of his business comes from the immediate area with the rest coming from the "greater Bay Area. According to him, Upper Market's location, which is easily accessible from the freeways and public transit, gives it a larger citywide and regional orientation. He adds that Upper Market has always had a problem with limited foot traffic.

"When you talk to people who were on the street, 30, 40 years ago, they'll tell you the same thing. If I counted on foot traffic, I'd have been gone long ago. I do a lot of advertising."

#### **Medical Practitioner**

A medical practitioner who has been in the district says:

"There's been a loss of some retail business. There's been an increase in restaurants and video shops. Generally the business climate has gotten slightly worse."

He attributes the "slightly worse" business climate to the AID's epidemic at the neighborhood level and to a general slowing down of the economy at the citywide and national levels.



## Rent Level

### Merchant

The operator of a specialty retail shop that is 690 square feet in floor area says:

"\$1250 a month. I have a lease ... 5 years. I guess it is reasonable ... somewhat. Of course, it would be better if it were lower.

### Medical Practitioner

The medical practitioner says:

"I rent at \$1200 a month ... about \$1 a square foot. I do consider it reasonable. It is renewable on an annual basis. I didn't have a rent increase this past year. Increases are tied to the Consumer Price Index, and the increase was so small last year to be insignificant. Yes ... I feel my rent is fair.

### Realtor

A realtor in the area says that the base asking price for ground floor retail space in a good building is \$1.65 a square foot. She does not think there is much difference between the Upper Market and Castro districts in asking rent levels, although vacant space in the Castro is much harder to find.

## Zoning Controls

### Merchant

A merchant says:

"The proposed zoning is fine except for two points. One, even though it is in effect, the Planning Commission doesn't abide by it. Variances ... it keeps permitting restaurants without parking, and we've already reached a saturation point with restaurants here. Two, if someone wants to put up a parking garage, they have to get a Conditional Use permit. Why? Why not just the regular permit. Variance ... Conditional Use processing is much more involved and costly."

### Medical Practitioner

The medical practitioner says:

"Are the proposed controls effective? I would have to say a conditional yes and a conditional no. Yes in that it does give a little bit of focus and direction to the planning for the area. But I would say relatively no in that the Commission will give a Conditional Use, a variance that gives against its own guidelines. We are well in excess of the number of restaurants we need in this area, and the Commission routinely gives them permits.

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing controls for the Upper Market Street District come under C-2 zoning. The proposed controls, shown on Table 29, are specifically designed for and unique to the Upper Market Street district. They are reflective of existing physical characteristics in the district.

### Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and proposed zonings for Upper Market. Floor Area Ratio requirements however, are more restrictive under the proposed zoning. Under the existing zoning the Floor Area Ratio is 3.6 to 1. The proposed zoning reduces this ratio to 2.0 to 1.

### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning Conditional Use permission is required for all development on lots of 10,000 square feet or more and for all non-residential uses of 3,000 square feet or more.

### Restrictions on Type of Use and Use by Story

The proposed zoning for Upper Market is only slightly more restrictive than the existing C-2 zoning in types of use and use by story. Most commercial uses are permitted by right as a Principal Use on all floors under the existing C-2 zoning. Under the proposed zoning, except for eating and drinking uses which are restricted to the ground floor and require Conditional Use permission, most retail and office uses are permitted by right up to the second floor and require Conditional Use permission at the third floor and above if they do not displace existing housing units and meet height limit, floor area ratio, and other requirements.

### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all floors and for housing conversions at the second floor. Housing conversions are permitted by right at the ground floor and prohibited at the third floor and above. No such restrictions exist under the C-2 zoning. At the same time, the proposed controls are less restrictive in housing density standards. The proposed zoning allows 1 unit per 400 square feet of lot, while the C-2 zoning allows 1 unit per 800 square feet.

### Other Requirements

Rear yard requirements are the same under both the existing and the proposed zonings. Both require rear yard setbacks at residential levels only.

TABLE 29

SEC. 721.  
UPPER MARKET STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 721.
			Upper Market Street
No.	Zoning Category	§ References	Controls
BUILDING STANDARDS			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X, 50-X, 65-B, 80-B See Zoning Map
.11	Lot Size (Per Development)	§§ 790.56, 121.1	P up to 9999 sq.ft., C 10,000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at residential levels only § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	2.5 to 1 § 124(a)(b)
.21	Use Size (Non-Residential)	§ 790.130	P up to 2999 sq.ft., C 3000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 264, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 264, 602-604, 608.1-10, 609	P # § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P # § 607.1(c)(d)(g)

No.	Zoning Category	§ References	Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118			
.39	Residential Demolition	§ 790.84	P	C	
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P	P	
.41	Bar	§ 790.22	C		
.42	Full-Service Restaurant	§ 790.92	C		
.43	Small Fast Food Restaurant	§ 790.90	C		
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	P		
.51	Medical Service	§ 790.114	P	P	C
.52	Personal Service	§ 790.116	P	P	C
.53	Business or Professional Service	§ 790.108	P	P	C
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C	C	
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

## SEC. 721.

No.	Zoning Category	§ References	Upper Market Street Controls by Story		
			1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15	C		
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 400 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 140 sq.ft. lot area § 208		
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 60 sq.ft. if private, or 80 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

**SPECIFIC PROVISIONS FOR UPPER MARKET STREET NEIGHBORHOOD COMMERCIAL DISTRICT**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 721.31 § 721.32	§ 608.10	<b>UPPER MARKET STREET SPECIAL SIGN DISTRICT</b>  <u>Boundaries:</u> Applicable only for the portions of the Upper Market Street MCD as mapped on Sectional Map SSD  <u>Controls:</u> Special restrictions and limi- tations for signs



However, the proposed zoning has some requirements which do not exist under the current zoning. These include controls relating to commercial hours of operation and commercial walk-up facilities.

### Physical Development Estimates

Table 30 shows the differences in physical development that could result from the differences between the existing and proposed zoning for Upper Market Street. In line with the fact that the proposed controls for Upper Market are only slightly more restrictive than the existing controls, the estimates show only a slight difference in potential physical development by zoning. Over a ten year period, the potential amount of new commercial space under the proposed controls is 14 percent (54,600 square feet). This is only 2,500 square feet less than under the existing zoning and occur in the office sector. Estimated growth in eating and drinking and retail space is the same under both zonings. There is also only a slight difference in potential housing growth. Estimates indicate that the proposed zoning could encourage development of up to 19 new dwelling units, while the existing controls would yield 17 units.

### ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

#### Economic Implications of Physical Development Estimates

The physical development estimates show that the amount of potential office space under the proposed controls would be less than that under the existing controls by only a small margin. Hence, the potential economic impact attributable to this difference is insignificant. The proposed controls do not prohibit new office uses on all floors. They are permitted by right up to the second floor and can be approved as Conditional Uses at the third story and above if they do not displace existing housing units and meet other requirements. Because demand for office space in neighborhood commercial areas drops significantly above the second floor, the economic effect of these restrictions is negligible.

The same can be said for the Conditional Use requirement for eating and drinking businesses above the ground floor. Since eating and drinking establishments generally require ground floor space, the economic effect of prohibiting them above the ground floor also should be negligible. Accordingly, the physical development estimates show no difference between the existing and proposed controls in growth of new eating and drinking space.

#### Implications of Community Observations

Field observations and interviews tend to support these conclusions: namely, that the potential economic impacts attributable to the zoning changes proposed for the Upper Market Street district are relatively insignificant. Aside from the influence of regional and national economic factors, the business climate on the street is influenced by the district's location in the city and its physical configuration. The effect of the proposed zoning in contrast to these larger economic and physical factors tends to be minimal.

TABLE 30  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, UPPER MARKET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	64,500	260,800	61,400	386,700	128,400	53,900	569,000	324,600 (470)	893,600
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+6,900	+20,700	+5,000	+32,600	-2,300	-14,700	+15,600	+36,000 (+37)	+51,600
Conversions of Use	+1,500	+4,600	+18,400	+24,500	0	0	+24,500	-24,500 (-20)	0
<b>Total Change</b>	<b>+8,400</b>	<b>+25,300</b>	<b>+23,400</b>	<b>+57,100</b>	<b>-2,300</b>	<b>-14,700</b>	<b>+40,100</b>	<b>+11,500 (+17)</b>	<b>+51,600</b>
Potential Land Use	72,900	286,100	84,800	443,800	126,100	39,200	609,100	336,100 (487)	945,200
<b>% Change-Land Use</b>	<b>+13%</b>	<b>+10%</b>	<b>+38%</b>	<b>+15%</b>	<b>-2%</b>	<b>-27%</b>	<b>+7%</b>	<b>+3% +4%</b>	<b>+6%</b>
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+6,900	+20,700	+5,000	+32,600	-2,300	-14,700	+15,600	+36,000 (+37)	+51,600
Conversions of Use	+1,500	+4,600	+15,800	+22,000	0	0	-22,000	-22,000 (-18)	0
<b>Total Change</b>	<b>+8,400</b>	<b>+25,300</b>	<b>+20,800</b>	<b>+54,600</b>	<b>-2,300</b>	<b>-14,700</b>	<b>+37,600</b>	<b>+14,000 (+19)</b>	<b>+51,600</b>
Potential Land Use	72,900	286,100	82,200	441,300	126,100	39,200	606,600	338,600 (489)	945,200
<b>% Change-Land Use</b>	<b>+13%</b>	<b>+10%</b>	<b>+33%</b>	<b>+14%</b>	<b>-2%</b>	<b>-27%</b>	<b>+7%</b>	<b>+4% +4%</b>	<b>+6%</b>

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



The width and automobile-orientation of Upper Market Street and its relatively greater access to public transit and freeway systems, limits its economic integration with the surrounding residential neighborhood and at the same time enhances its integration with larger citywide and regional markets. Some businesses on the street, primarily personal service and office uses, rely heavily on the surrounding neighborhoods for patronage. For example, the medical practitioner states that over 90% of his clientele comes from residents in the immediate area. However, the situation appears different among retailers. All retail operators interviewed state that their business suffers in varying degrees because of limited walk-in traffic. Those whose businesses are successful rely heavily on customers coming in automobiles from outside the surrounding neighborhood area. According to one retail operator long established on the street, over 90% of his business comes from the "greater Bay Area." He says the same is true of other specialty shops in the district.

The proposed controls are not likely to alter these economic forces affecting the district. Nonetheless, it could exert some positive economic influence by enhancing the district's ability to maintain, and perhaps build on, existing walk-in traffic. The restrictions which the proposed controls place on housing conversions should help to conserve existing housing resources and thereby strengthen the pedestrian-oriented market. The restrictions which the proposed controls place on most auto-related uses should help to promote continuous retail frontage and the flow of pedestrian traffic between different retail uses.

Some merchants believe that the proposed controls, on the one hand, should be more stringent by prohibiting additional eating and drinking activity, and on the other hand should relax requirements for off-street parking facilities so as to reduce problems of traffic and parking congestion. The implications of these suggestions are mixed. In certain locations, additional eating and drinking activity could have adverse consequences by intensifying traffic and parking problems. Yet in other, less congested parts of the district, some types of eating and drinking businesses could be accommodated without negative effects on parking. Trade-offs exist in regard to off-street parking. New private off-street parking facilities could help to ease parking and traffic problems and attract more business to the street. On the other hand, dependent on the location, design, and price structure of such facilities, they could have adverse impact for surrounding residential neighborhoods and the pedestrian-oriented economic market they provide. To the extent that growth in these uses is properly managed, the overall vitality can be enhanced, but care must be taken to ensure that residential livability is maintained in adjacent areas. Because of these complexities, the proposed controls require Conditional Use review for most new eating and drinking activity and for new off-street parking facilities so that proposals for these uses can be considered on a case-by-case basis.

## ASSESSMENT

The above analysis of the Upper Market Street Neighborhood Commercial District supports the following conclusions:

- The proposed controls are not likely to have adverse economic impacts on the Upper Market Street district



- Business conditions on the street are largely influenced by its physical location and configuration which limits economic integration with the surrounding residential neighborhoods and enhances its access to larger citywide and regional markets.
- The proposed controls would not alter the economic conditions stemming from these larger physical considerations; but it may exert some positive economic influence and help to maintain pedestrian walk-in traffic in the district through restricting housing conversions and promoting continuous retail frontage.

## NORTH BEACH NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

North Beach is a large, complex, and multi-faceted commercial district located in the valley between Telegraph Hill and Nob Hill, north of Broadway. Housed within small-scale buildings, mainly two and three stories, commercial activity is intense and diversified.

North Beach has a non-linear spatial pattern. Columbus Avenue serves as its major axis, running through the entire length of the district. From this axis it fingers in a rambling fashion into a number of side streets where commercial activity continues at a smaller-scale. Throughout the district there are pockets of intense activity, as well as quieter environments and even clusters of vacant storefronts. This uneven distribution of activity reflects the varied age, size and condition of the buildings, and an economy that is less uniform, both in structure and condition, than is generally assumed.

North Beach is a major commercial center serving several overlapping markets. It provides convenience retail goods and services for adjacent neighborhoods, particularly residents of North Beach and portions of Telegraph Hill and Russian Hill. Its many restaurants, cafes, bars, and entertainment places attract people from throughout the city and other parts of the region, as well as a large number of tourists. It also specializes as a citywide center for Italian food goods. These range from traditional family restaurants, bakeries and gift shops to food processing businesses, such as pasta and sausage factories and coffee roasting companies. In addition, North Beach functions as a residential neighborhood with both apartments and flats and residential hotels. Twenty-four residential hotels providing a total of 1,190 rooms. Other residential units include 950 flats and apartments.

North Beach has been vulnerable in recent years to growth pressures from directly adjoining and nearby commercial areas. North Beach is directly adjacent to the Broadway commercial district and to Chinatown. In addition, it is in fairly close proximity to Downtown. Growth pressures from these surrounding areas, which traditionally have served broader markets, have been cited as the cause of rising commercial rents, the decline of neighborhood-oriented retail uses, and increased noise, littering, parking and traffic problems. These problems are most evident in the proliferation of three types of uses: eating and drinking establishments, financial institutions, and professional and business offices. Eating and drinking establishments are an integral part of North Beach's commercial structure, but there is concern that they may be reaching a point of saturation. Currently there are about 85 eating and drinking establishments in the district.

The number of financial institutions also has increased in recent years. Although banks have long been a part of neighborhood commercial services provided in North Beach, numerous savings and loan associations have entered the district and may be a factor contributing to rent pressures in the district. In a number of instances, they have modern facades that are out of character with the district's overall traditional architectural style.

# NORTH BEACH PROPOSED ZONING

## Map 15



-  **NCD BOUNDARY**  
 **ADDITIONS**  
 **DELETIONS**  
 **BOUNDARY OF EXISTING GARMENT SHOP S.U.D.**  
 **FINANCIAL SERVICE SUB-DISTRICT (Sec.781.3)**

**Except as noted, EXISTING ZONING is C-2**



North Beach also has become a preferred location for business and architectural offices. These occur throughout the entire district, including several buildings on northern Stockton Street, Water Street, and Vandewater Street. In several cases, offices have replaced active retail frontage or converted housing units. The loss of upper story housing through conversion into offices is of particular concern, for such housing often is the only kind that is affordable for many older residents of North Beach.

Yet, despite all this activity, North Beach has a number of vacant stores and buildings. There also are some potential development sites, including vacant lots and lots with single story buildings with less than full lot coverage.

## OBSERVATIONS ON CURRENT TRENDS

Six interviews were conducted in the North Beach commercial district. Interviewees include: 4 merchants, 1 realtor, and 1 community association leader. Their observations cover the following topics: change in North Beach, market area, rent levels, and zoning controls.

### Change in North Beach

#### Merchant

A merchant who has operated a retail service in North Beach since 1974 says:

"We're seeing a lot of businesses leave ... such as the delicatessen leaving because of the rent increase. And we're not seeing people rush in to replace them. It's not the gold mine that people think it is out here. Most people that live here do not have the vast incomes that people think they have. They're doubling up in apartments ... things like that, I'm getting more bad checks and cancelled credit cards from my customers. That tells you that people do not have the money people think they have."

He goes on to discuss the "soft income" of yuppies. He says their spending habits are skewed toward items like BMW cars and eating out at the Dixie Cafe once a week. But when it comes to basic household services, they penny pinch. He says that his best return customers are the "truly wealthy" who still live around the area. He says their spending habits are very different from the yuppies. Many of them do not even own a car. They place a high value on the quality of basic consumer services.

#### Merchant

A young merchant whose family has operated a food store in North Beach since the beginning of the century says the name of the store derives from the province in Italy where his family lived before they migrated to San Francisco.

"The family started this business after the earthquake and then they moved here to this location. They used to deliver by horse and buggy to people in the neighborhood ... and then some to the stores. This used to be mostly an Italian community before. Now we got a mixture of people ... more young people ... probably about 20-25% of the people who come here are Asians. The business environment hasn't necessarily gotten worse ... because there are more young people ... American and Asian."

### Merchant

A merchant who operates a retail shop in North Beach says:

"First of all, the street has seen a major contemporary modernization of Grant Avenue ... in that if you take on the 1400 block of Grant Avenue ... you'll find a place like the meat market. It had been run by a man who had been there for years. Now it has been bought by his nephew who has put in new products ... gourmet items ... more 'yuppie'."

"Before, when I grew up here ... there were artisans ... true artists. Now they have less presence in our neighborhood. However, some architects have done some good things. They've made a storefront into beautiful offices. We've lost some of our neighborhood businesses ... like the shoe repairman. We've had some grocery stores turn into banks ... but that's over a period of 10 years ... not 2 years."

"If I had it to do over again ... yes, I would still like to be in North Beach, but on another street ... like Columbus Avenue ... the 400 block is what I would choose ... but I would like to stay here in North Beach."

### Realtor

A realtor says:

"I observe a lot of Savings and Loans popping up. I always thought there was a moratorium on these, but they keep popping up. Also there are a lot more vacancies around ... because businesses have been displaced because of high rent ... like the place next door has been empty for two years. It was a drug store. They had been paying \$2,000 a month. Then the landlord wanted \$4,000 and they couldn't make it. Nobody else can pay it either because it is still vacant."

### Market Area

#### Merchant

A retail merchant says that his patronage is seasonal, but on the average about 70% of his customers come from the immediate neighborhood.

#### Merchant

The operator of a food store says:

"Tourists ... not very much at all ... not even 2%. The rest I would say ... as far as people in the area ... not too many. Mainly our customers are people who used to live in the area ... or who come by word of mouth."

"We stopped making breads about 25 years ago because we couldn't compete with the big bakeries. The other thing is the old Italian community isn't here anymore. All we make now is focaccia. Young people like that."

### Realtor

The realtor says:

"North Beach has always had a demand. We have a unique area ... mainly people with restaurants and bars. This has never been a blighted area. It was always vital ... even during the Depression. That's why they used to call it a little city ... because everything was here. But before you had more stores catering to local needs. Now that's going out."

### Rent Levels

#### Merchant

The interviewee who operates a retail service with 475 square feet in floor area says"

"My current rent is \$1,250 ... that is on a three-year lease. I have two years left. I pay for most improvements. He has done some. Considering the location on Columbus Avenue I consider it reasonable."

He adds that he does not think rent control is a good idea because "it makes landlords too nervous."

#### Merchant

A merchant with 1000 square feet in floor area pays rent of \$1,700 a month under a year-to-year lease. She says escalating rents are a major problem in North Beach.

#### Realtor

The realtor says of average monthly rent levels for commercial space in North Beach:

"On the average I'd say about a buck and a half. I would think it would be a little higher on Columbus Avenue. The average price would be higher for commercial space in a new building. About \$2.00 ... although there's not a hell of a lot of new stuff being put up in this area. Its a significant increase from 5 years ago. Five years ago it might have been a dollar."

"The length of the lease term is shorter than it used to be ... like when we had those stores that had been here for years, their landlords had been giving them five-, ten-year leases. Now its two ... three ... one."

### Zoning Controls

#### Merchant

A merchant says:

"I think the zoning controls are advantageous. Otherwise they would have turned all the flats into offices. We would have had nobody in the neighborhood."



He goes on to discuss how upper story residents are very important to the vibrancy of North Beach market area. He cites the 1000 Montgomery case as an example where conversion of residential to office have deadened a building. He also cites the empty office spaces along Pacific Avenue. "Residential hotels, upper story housing ... that's what keeps a neighborhood alive".

#### **Merchant**

Two merchants who operate a retail store in North Beach say:

"Just one thing ... about these restaurants ... it has to start with the bureau of permits. Don't they have to get a permit to open a restaurant? Well can't the person who is reviewing these permits just say: 'Let me see ... now haven't we already had 5 restaurant permits for this area this week?' and stop issuing any more. That's the way they do it in Sonoma County. If a little town like Petaluma can do it, why can't San Francisco which is supposed to be so sophisticated and cultured ... which is supposed to have so many intelligent people?"

#### **Resident**

The resident says:

"I think they are going to be effective. I think we should have had them three or four years ago. A real important part of this is we have to tell the landlords about them ... let them know the uses they can have are restricted."

"This will help to keep the rent increases down. City Planning and residents should hold meetings with the landlords ... the commercial property owners ... so they understand what the controls mean."

#### **Realtor**

The realtor says:

"Well ... I'm sure they have an effect. Usually the more restrictions, the less economic value ... but what are you going to do?"

### **DIFFERENCE BETWEEN EXISTING AND PROPOSED ZONING**

Existing zoning controls for the North Beach District are C-2 except for six lots near Columbus Avenue containing commercial uses but zoned residentially. These include: the block bounded by Francisco, Mason, Powell and Chestnut Streets, currently zoned RC-3 and the block bounded by Francisco, Mason, Powell and Vandewater Streets, currently zoned RC-4. The proposed controls, as shown on Table 31, are specifically designed for and unique to the North Beach District. They reflect existing height and bulk characteristics in the district.

#### **Restrictions on Height Limits and Floor Ratios**

The proposed zoning is more restrictive than the existing zonings in both Height Limit and Floor Area Ratio requirements. The proposed zoning requires

SEC. 722.  
NORTH BEACH NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

TABLE 31

			SEC. 722. North Beach Controls
No.	Zoning Category	§ References	
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	P up to 40 ft. C 41 to 65 ft. # § 253.1
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.75 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft ; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	§ 607.1(f)? P
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	§ 607.1(c)(d)(g)

SEC. 722.  
North Beach  
Controls by Story

No.	Zoning Category	§ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15	C		
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P #	C #	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 400 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 140 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 60 sq.ft. if private, or 80 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.118	P		
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	P	
.41	Bar	§ 790.22	C		
.42	Full-Service Restaurant	§ 790.92	C		
.43	Small Fast Food Restaurant	§ 790.90	C		
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C/NP #		
.50	Limited Financial Service	§ 790.112	C 1		
.51	Medical Service	§ 790.114	P	P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	C	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

**SPECIFIC PROVISIONS FOR THE NORTH BEACH NEIGHBORHOOD COMMERCIAL DISTRICT**

Article 7 Code Section	Other Code Section	Zoning Controls
§ 722.10	§ 253.1	<b>65-A-1 HEIGHT AND BULK DISTRICT</b>  <b>Boundaries:</b> Applicable for portions of the North Beach MCD as mapped on Sectional Map 1H  <b>Controls:</b> Building Height and Bulk Limits are P up to 40 feet; C between 41 feet and 65 feet
§ 722.49	§ 780.3	<b>NORTH BEACH FINANCIAL SERVICE SUB-DISTRICT</b>  <b>Boundaries:</b> Applicable only for portions of the North Beach MCD south of Union Street as mapped on Sectional Map 1 SU4  <b>Controls:</b> Financial Services are NP at all stories
§ 722.65	§ 236	<b>GARMENT SHOP SPECIAL USE DISTRICT</b>  <b>Boundaries:</b> Applicable only for the portion of the North Beach MCD as mapped on Sectional Map No. 1 SU4  <b>Controls:</b> Garment Shops are P at the 1st and 2nd stories

Conditional Use authorization to build over 40 feet to a maximum height limit of 65 feet. This requirement does not exist under the current zonings. The maximum Floor Area Ratio permitted under the existing zoning C-2 is 3.6 to 1. The proposed zoning reduces this ratio to 1.75 to 1.

#### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. Under the proposed zoning, Conditional Use permission is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 feet or more. No such restrictions exist under the current zonings.

#### Restrictions on Type of Use and Use by Story

The proposed zoning for North Beach is more restrictive than the existing C-2, RC-3, and RC-4 zonings in types of use and use by story. New bars, full service restaurants, fast food restaurants, and take-out food outlets are permitted by right as a Principal Use on all floors under C-2 zoning, and are permitted by right on the ground floor and allowed on upper floors through Conditional Use permission under the RC-3 and RC-4 zonings. The proposed zoning restricts these uses to the ground floor and requires Conditional Use authorization, except for large fast food restaurants which are prohibited. Financial service institutions under the proposed zoning are prohibited south of Union Street. North of Union Street, they require Conditional Use authorization at the ground floor and are prohibited at the second floor and above. Conversions of housing units is prohibited above the ground floor. The only second story non-residential uses that are permitted as a right under the proposed zoning are general retail and offices, on the condition that no existing housing is displaced and that the floor area ratio and other requirements relating to scale of development are met. Non-residential uses above the third story are generally prohibited under the proposed zoning.

#### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all floors. Housing conversions are permitted by right at the ground floor and prohibited above. No such restrictions exist under the current zoning. At the same time, the proposed controls provide for more efficient utilization of residential space by allowing 1 unit per 400 square feet of lot, while the existing zonings allow 1 unit per 800 square feet.

#### Other Requirements

The proposed zoning also is more restrictive in rear yard requirements. It requires rear yard setbacks at the second story above and at all residential levels, while the existing zoning requires rear yard setbacks at residential levels only. In addition, the proposed zoning has some restrictions which do not exist under the current zonings. These include requirements relating to commercial hours of operation and commercial walk up facilities.



## Physical Development Estimates

Physical development estimates for the North Beach District are shown in Table 32. Estimates indicate that the proposed zoning could have significant effect on the land use and development in North Beach. The strongest effect would be to prohibit conversion of dwelling units to office space, limit construction of new office space, and encourage construction of new dwelling units.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

When the physical development estimates are considered for the district as a whole, one might infer that the proposed controls will have a distinct impact on the North Beach economy. By curtailing growth in commercial square footage, the proposed controls could put upward pressure on rents, especially for offices space.

The proposed controls would reduce the amount of potential retail space which could be added to the district as a whole. However, the areas in the heart of the district which have the highest demand for retail space, already are fully developed with retail space at the ground story. The sites with reduced potential are in locations with lower demand where the tighter restrictions will not have as strong an impact.

The largest reduction in development potential is for office space. The proposed controls would eliminate conversion of dwelling units to new office space and steer new development in North Beach toward mixed-use projects with commercial uses on the lower stories and housing on the upper stories. However, demand for office space in North Beach is not as strong as the demand for other commercial sectors and the current surplus in office space citywide, indicates that future demand for office space in the North Beach will not be as strong as it has in the past.

### Economic Implications of Community Observations

Interviews, field observations, and other research in the North Beach community present a picture as complex as that of the street pattern of North Beach itself. There is substantial pedestrian and automobile traffic in the district during both day and night hours. The chronic shortage of parking attests to a very high degree of commercial activity. At the same time one finds retail-oriented streets with limited foot traffic and a number of vacant storefronts. A June 1986 study by the Public Research Institute of San Francisco State University, found that the rate of turnover among North Beach businesses increased significantly between 1978 and 1986\*. Another study by an independent researcher, Jim Stephens, found that the vacancy rate for

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\*North Beach in Transition: A Study of Business Survival and Neighborhood Preservation, Report No. 3-86, Public Research Institute, San Francisco State University (June, 1986) p. 3.

TABLE 32  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, NORTH BEACH NEIGHBORHOOD COMMERCIAL DISTRICT

[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	196,600	314,200	236,300	747,100	399,100	60,100	1,206,300	1,003,900 (2,254)	2,210,200
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+15,800	+71,400	+47,900	+135,100	+70,400	-45,600	+159,900	+45,600 (+53)	+205,500
Conversions of Use	+10,600	+21,800	+36,400	+ 68,800	-32,300	0	+ 36,500	-34,500 (-31)	+ 2,000
<b>Total Change</b>	<b>+26,400</b>	<b>+93,200</b>	<b>+84,300</b>	<b>+203,900</b>	<b>+38,100</b>	<b>-45,600</b>	<b>+196,400</b>	<b>+11,100 (+22)</b>	<b>+207,500</b>
Potential Land Use	223,000	407,400	320,600	952,000	437,200	14,500	1,402,700	1,015,000 (2,276)	2,417,700
% Change-Land Use	+12%	+30%	+36%	+27%	+10%	-76%	+16%	+1% (+1%)	+9%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+17,600	+45,200	+19,300	+ 82,100	+40,600	-43,400	+79,300	+85,400 (+83)	+164,700
Conversions of Use	+ 7,700	+19,200	+ 5,100	+ 32,000	-31,400	0	+ 600	- 600 (-1)	0
<b>Total Change</b>	<b>+25,300</b>	<b>+64,400</b>	<b>+24,400</b>	<b>+114,100</b>	<b>+ 9,200</b>	<b>-43,400</b>	<b>+79,900</b>	<b>+84,800 (+82)</b>	<b>+164,700</b>
Potential Land Use	221,900	378,600	260,700	861,200	408,300	16,700	1,286,200	1,088,700 (2,336)	2,374,900
% Change-Land Use	+13%	+20%	+10%	+15%	+2%	-72%	+6%	+8% (+4%)	+7%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



ground story commercial space in North Beach rose from 4-5% in 1983 to 9-10% in 1986. A realtor interviewed for this study cites a commercial establishment that has been vacant for 2 years after a new owner doubled the rent for the last tenant from \$2,000 a month to \$4,000 a month. He says 'foreign investment' is the primary reason why an owner can afford to let a property to remain vacant for 2 years.

During the field interviews conducted for this study, cases of escalating rents were reported with greater frequency in North Beach than in any other neighborhood commercial district. The Public Research Institute study similarly reported that 38% of the respondents experienced rent increases of 30% or more over the past two years, 10% had increases of 76-100%, and 9% had increases of more than 100%.

If these cases accurately reflect commercial rents, then North Beach is undergoing a major escalation in its rent levels as the number of tenants paying relatively low rents is shrinking. However, it is difficult to establish comprehensive and reliable rent estimates because many merchants refuse to divulge information about their rents. The fact that many of the displaced and threatened uses are older, established businesses, suggests that the district as a whole may be now experiencing an upward adjustment in rents largely caused by changes in property ownership during the recent period of high inflation and interest rates.

Another important consideration is the fact that the district is large and diverse. Some sites are extremely desirable and high rents reflect that demand, while other sites, sometimes even on the same block, lie vacant. Buildings may be unsuitable for occupancy at asking rents due to many factors. These include size, design, physical improvements, structural condition, adjacent land use, vehicle traffic and noise, lack of pedestrian traffic. These location-specific and building-specific variations in demand account, in large part, for the apparent contradiction of rising rents and persistent vacancies in the district which many observers have noted.

The North Beach neighborhood economy is being shaped by powerful market forces that are beyond the ability of zoning alone to control. Nevertheless, the proposed zoning controls will play an important role in the future evolution of the district. The height controls and floor area ratio will help to assure continuity in building scale. The use controls will help to assure a favorable balance in future growth between broad categories of eating and drinking, retail, office, and housing uses. But the economic effects resulting from implementation of these controls is difficult to gauge, because of the size and heterogeneity of the district, and the strength and complexity of the market forces affecting it.

## ASSESSMENT

The above analysis of the North Beach Neighborhood Commercial District supports the following conclusions:

- North Beach is a large district with a complex and diverse economy that serves many markets. The intensity and vitality of commercial activity varies greatly from one part of the district to another.



- While physical development estimates suggest a marked reduction in potential office development as a result of the proposed zoning controls, the current surplus in office space citywide indicates that the reduced development potential will not result in significant negative economic effects
- Cases of sharply escalating rents were reported with greater frequency in North Beach than in any other neighborhood commercial district, suggesting that the district as a whole may be now experiencing an upward adjustment in rents caused, in many cases, by changes in property ownership during the recent period of high inflation and interest rates.
- Some areas in North Beach are extremely desirable and high rents reflect that demand, while other sites, sometimes even on the same block, lie vacant. Location-specific and building-specific variations in demand account, in large part, for the apparent contradiction of rising rents and persistent vacancies in the district.
- The North Beach neighborhood economy is being shaped by powerful market forces that are beyond the ability of zoning alone to control. Nevertheless, the proposed controls will play an important role in the future evolution of the district and will help to assure continuity in building scale and balanced growth in different types of commercial uses.

## POLK STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Polk Street is a dense mixed-use commercial strip, about one mile long, lying along Polk and Larkin Streets in the gulch between Nob Hill, Russian Hill and Pacific Heights. Some commercial activity also extends east to Hyde Street on California Street. Commercial uses along the Polk Street sector of the strip are more intense, forming a continuous commercial frontage at the ground floor for almost the entire length of the street. Larkin and other side streets in the district have a greater proportion of residential activity. Polk Street essentially serves two markets: a neighborhood market and a larger citywide market. It provides convenience goods and services for residents of the surrounding neighborhoods in Polk Gulch and on the western slopes of Nob Hill and Russian Hill. The establishments providing these goods and services include about 12 small markets, 12 laundries and dry cleaners, and several beauty salons and barber shops. The establishments serving a citywide, as well as neighborhood, market include specialty, apparel, antique, and gift shops, six financial institutions and 65 medical, business, and professional offices, with almost half of these offices in upper stories. Polk Street is also popular as an eating, drinking and entertainment district and has a number of bars, restaurants, and dance halls.

With a dense residential population inside and immediately surrounding its boundaries, the Polk Street Commercial District has a strong and viable consumer market that is evident in the large amount of foot traffic along the street. The economic strength and vitality of this market, however, is being tested by a concentration of social problems along the southern end of Polk Street from California to Post Streets. Loitering tends to be a more serious problem on Polk Street than in other neighborhood commercial districts because on Polk Street loitering is frequently associated with drug dealing and prostitution. These activities are most conspicuous during night hours, but are also observable during the day. Merchants in the area state that these activities are having a detrimental effect on business by deterring and limiting patronage demand. According to them, people from outside the area who come to Polk Street to shop for the first time generally may not return for a second visit after being approached and sometimes hassled by young hustlers.

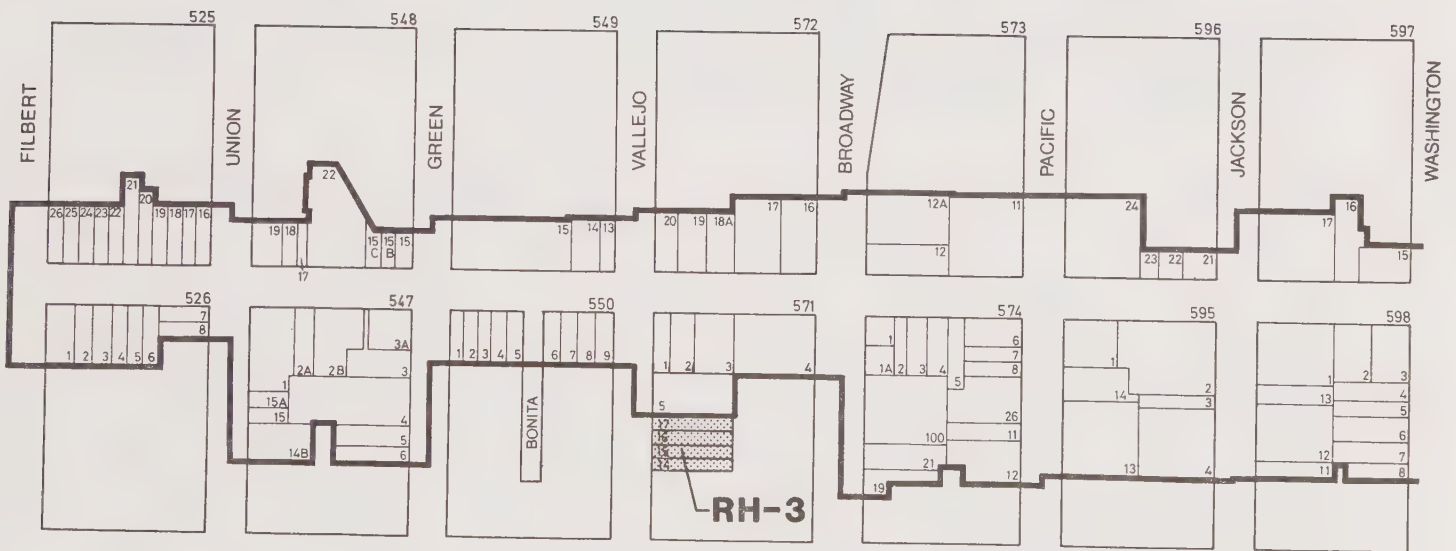
### OBSERVATIONS ON CURRENT TRENDS

In-depth interviews were conducted with 3 active merchants, 1 former merchant, 2 realtors, and 1 commercial property owner on Polk Street. They offer observations on the following topics: social problems, vacancy rates, commercial rent levels, and zoning controls.

#### Social Problems

##### Merchant

A merchant who has operated a retail outlet on Polk Street for over 22 years says:



# **POLK** **PROPOSED ZONING**

**Map 16**

- NCD BOUNDARY
- ADDITIONS
- DELETIONS



Except as noted, EXISTING ZONING is C-2





"It has gotten worse. I have seen it go up and down. I would not want it to go farther down because it would disintegrate into a Tenderloin. Hustlers and drug pushers drive people away. These young hustlers and drug pushers are not just young kids. Many are tough and hardened. We can't dislodge them."

#### **Merchant**

An employee for a health food store that opened on Polk Street in October 1984 but was forced to close down after 14 months because of a lack of business says that when she first worked on Polk Street in 1982, two years prior to the opening of the health food store, the street catered to a larger market. It attracted many people from outside the area. She says that now fewer people come to Polk Street to shop.

"Why should they come to Polk Street when they can go to other parts of the city for similar goods without being hassled?"

#### **Commercial Property Owner**

Representatives of a family who has owned commercial and residential property on Polk Street since 1922 says:

"A lousy group of landlords are creating the social problems on the southern end of Polk Street. They don't care who they rent to."

#### **Increasing Vacancy Rates**

##### **Merchant**

The employee of the health food store that closed down on Polk says that the operators are still under a five year lease for the store that began in 1984. The lease requires rent of \$2,000 a month for 800 square feet. Since closing in December 1985 the operators have not been able to find a sub-lessee and thus are still paying rent even though the space is not being utilized for business.

##### **Commercial Property Owner**

The commercial property owners say there must be at least 20 vacant stores on Polk Street. The situation in 1986 is "entirely different from two years ago when the rates were low". To them, the present situation comes from "overbuilding", from real estate investors "reading too much into potential".

"In actuality, the market isn't there to sustain the volume of commercial space that has become available in the neighborhood."

#### **Rent Levels**

##### **Merchants**

Of the two active merchant interviewed on Polk Street, one thinks his rent is reasonable and the other thinks his rent is "reasonable to a little high". The latter sees a problem with rent increases in general along Polk Street. He says:

"There are more chains because rents have gotten too high for the local merchant. Any increase comes right out of your pocket. A \$2,000 or \$3,000 a month increase is too much for a small business man who is just making ends meet. Landlords rarely have contact with their tenants. They don't understand how hard it is for them to make a business, how many hours they have to put in."

#### Realtors

The realtors say that rents have not gone up appreciably on Polk Street since several years ago. They say there was a big increase among landlords about 8 years ago that probably pushed rents "too high", but since then rents have "pretty much stabilized".

#### Zoning Controls

##### Merchants

Most interviewees are aware of special zoning regulations affecting Polk Street and, while supportive, have varying degrees of doubt about their effectiveness. One merchant says of the controls: "They are not strictly enforced. Too many businesses slip through the cracks". Another says of the moratorium: "It helped a little, but there wasn't any enforcement. Despite the moratorium, fast foods have come in".

##### Realtors

The realtors think more direct action is needed to deal with the social problems on Polk Street. They say the main physical base for vice activity is a nearby hotel. According to them, the hotel has changed owners numerous times in the last five years. Each owner tries to clean it up and attract a better quality of tenants, but none has been able to succeed. They recommend that the City have such hotels turned into residential hotels catering primarily to senior citizens.

#### Future

One of the realtors is optimistic about future conditions on Polk Street. He says that new middle-income housing being built along Van Ness Avenue and California Street will strengthen the immediate market served by Polk Street. He predicts there will be an upswing in about three years.

#### DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the Polk Street District is C-2 except for the area at California, Larkin, and Hyde Streets which is RC-3. The proposed zoning controls, shown on Table 33, are specifically designed for and unique to the Polk Street District. It reflects the existing physical scale and character of the district.

#### Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and proposed zonings for Polk Street. Floor Area Ratio requirements, however, are more



TABLE 33

SEC. 723.  
POLK STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 723. Polk Street
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	65-A, 80-A, 130-E See Zoning Map
.11	Lot Size (Per Development)	§§ 790.56, 121.1	P up to 9999 sq.ft., C 10,000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at residential levels only § 134(a)(e) Required § 145.1
.13	Street Frontage		P § 136.1(a)
.14	Awning	§ 790.20	P § 136.1(b)
.15	Canopy	§ 790.26	P § 136.1(c)
.16	Marquee	§ 790.58	Required § 143
.17	Street Trees		

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	2.0 to 1 § 124(a)(b)
.21	Use Size (Non-Residential)	§ 790.130	P up to 2999 sq.ft., C 3000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	§ 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			SEC. 723. Polk Street Controls by Story		
No.	Zoning Category	§ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15	C		
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 400 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 140 sq.ft. lot area § 208		
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 60 sq.ft. if private, or 80 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

			Controls by Story		
		§ 790.118	1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P	C	
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P	P	
.41	Bar	§ 790.22	C		
.42	Full-Service Restaurant	§ 790.92	C		
.43	Small Fast Food Restaurant	§ 790.90	C		
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	P		
.51	Medical Service	§ 790.114	P	P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	P	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

restrictive under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 2.0 to 1.

### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. Under the proposed zoning, Conditional Use authorization is required for all development on lots of 10,000 square feet or more and for all non-residential uses of 3,000 square feet or more. No such restrictions exist under the current zonings. Rear yard requirements are the same under both the existing proposed zonings. Both require rear yard setbacks at residential levels only.

### Restrictions on Type of Use and Use by Story

The proposed zoning for Polk Street is more restrictive than the existing C-2 and RC-3 zoning in types of use and use by story. At the first story new bars, full service restaurants, fast food restaurants, take-out food outlets, adult entertainment, and financial service institutions which are permitted by right as a Principal Use under C-2 and RC-3 zoning, require Conditional Use authorization under the proposed zoning. At the second story and above, all these uses are permitted under C-2 zoning, require Conditional Use under RC-3 zoning, and are prohibited under the proposed zoning. The only second story non-residential uses that are permitted as a right under the proposed zoning are retail outlets and offices which fulfill the Conditional Use requirements for conversion of existing housing and comply with height limits, floor area ratio, and other requirements. Non-residential uses at the third story and above are generally prohibited under the proposed zoning except for tourist hotels, auto parking, and public uses which require authorization from the City Planning Commission through Conditional Use review, provided they do not displace existing housing and comply with height limit and floor area ratio requirements.

### Differences in Housing Controls

The proposed controls have more restrictive housing demolitions and conversion controls. Housing demolitions require Conditional Use authorization on all stories. Housing conversions are permitted by right at the ground story, require Conditional Use authorization at the second story, and are prohibited at the third story and above. No such restrictions exist under the C-2 and RC-3 zoning. At the same time, the proposed controls are less restrictive than the C-2 zoning in housing density standards. The proposed zoning provides for greater residential density by allowing 1 unit per 400 square feet of lot area, while the C-2 zoning allows 1 unit per 800 square feet.

### Other Requirements

Requirements which do not exist under the current zoning include controls on commercial hours of operation, commercial walk-up facilities, and street frontage design.

## Physical Development Estimates

Physical development estimates are similar under both zonings for the Polk Street district as shown on Table 34. Commercial development might occur at an average rate of 8000 to 9000 square feet a year under both zonings. The overall volume of commercial development is slightly smaller under the proposed zoning, about 8000 square feet less than under the existing zonings with most of this difference occurring in the office sector. At the same time, the proposed zoning is expected to yield slightly more residential units, about 8 new units, than the existing zoning.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

Overall the long term, economic viability of the Polk Street economy appears strong because of the high residential population density both inside and immediately surrounding its boundaries. The upper income neighborhoods of Nob Hill, Russian Hill, and Presidio Heights, coupled with Polk Street's function as a major transportation artery and its location near primary transportation intersections, give it a strong demand base. The 'ups and downs' of retail activity that affect the district appear to be related to its ability to attract patronage from outside the area. Even though it depends on consumer demand from the nearby resident population, the margin of demand coming from patrons outside the area accounts for much of the economic vitality of the area and the success of many of the neighborhood merchants.

## Economic Implications of Physical Development Estimates

The primary economic question posed by the physical development estimates is whether there will be an continued increase in consumer demand on Polk Street sufficient to stimulate new physical growth and expansion. The proposed controls provide for more housing units while the existing controls provide for more commercial space, particularly in office uses. Since the proposed controls will permit less commercial growth than the existing controls in all sectors - eating and drinking, retail, and offices - some mild upward pressure on commercial rents in the Polk Street district may occur. However, these rent increases will not be substantial because the differences in the overall volumes of commercial development projected under the existing and proposed zoning are small.

In terms of housing, the controls should have a positive impact. The proposed zoning permits a housing density ratio twice as high as that under the existing zoning. This should allow a higher return on housing investment than presently prevails and an incentive for developers to build more housing.

## Economic Implications of Community Observations

Field interviews suggest that economic demand on Polk Street at the present time is not strong. The most optimistic outlook, from an established realtor, is that the street will turn around in three years with the construction of new middle-income housing along nearby Van Ness Avenue. To the extent that flat demand is exacerbated by the concentration of crime and loitering,



TABLE 34  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, POLK STREET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	139,400	599,900	124,600	863,900	443,600	116,200	1,423,700	1,656,900 (2,349)	3,080,600
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+4,100	+15,600	0	+20,700	+43,300	-9,600	+54,400	+123,700 (+136)	+178,100
Conversions of Use	+3,200	+12,900	+54,100	+70,200	-28,600	0	+41,600	-39,400 (-26)	+2,200
<b>Total Change</b>	<b>+7,300</b>	<b>+28,500</b>	<b>+54,100</b>	<b>+90,900</b>	<b>+14,700</b>	<b>-9,600</b>	<b>+96,000</b>	<b>+84,300 (+110)</b>	<b>+180,300</b>
Potential Land Use	146,710	628,400	178,700	954,800	458,300	106,600	1,519,700	1,741,200 (2,459)	3,260,900
% Change- Land Use	+5%	+5%	+43%	+11%	+3%	-8%	+7%	+5% +5%	+6%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+4,100	+15,600	0	+20,700	+43,300	-9,600	+54,400	+123,700 (+136)	+178,100
Conversions of Use	+2,500	+10,200	+48,800	+61,500	-28,600	0	+32,900	-30,700 (-18)	+2,200
<b>Total Change</b>	<b>+6,600</b>	<b>+25,800</b>	<b>+48,800</b>	<b>+82,200</b>	<b>+14,700</b>	<b>-9,600</b>	<b>+87,300</b>	<b>+93,000 (+118)</b>	<b>+180,300</b>
Potential Land Use	146,000	625,700	173,400	946,100	458,300	106,600	1,511,000	1,749,900 (2,467)	3,260,900
% Change- Land Use	+5%	+4%	+39%	+10%	+3%	-8%	+6%	+6% +5%	+6%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

particularly in the southern portion of Polk Street, the proposed zoning may help to mitigate these problems. It restricts those uses that are associated with these problems by requiring Conditional Use review for bars, fast food restaurants, take-out food outlets, and strictly limits adult entertainment.

Stronger restrictions could limit the capacity of the Polk Street economy to respond to potential increases in consumer demand along those portions of the street that are not negatively affected by these problems. Through Conditional Use review both the Polk Street community and the City Planning Commission can determine on a case by case basis which particular additions to these uses would best contribute to the overall economic vitality of Polk Street.

## ASSESSMENT

The above analysis of the Polk Street Neighborhood Commercial District supports the following conclusions:

- The proposed controls are not likely to adversely impact the economic vitality of the Polk Street neighborhood commercial district, since there is only a slight difference in potentially developable space between the proposed zoning and the existing zoning.
- There is considerable concern in the business community that the concentration of social problems in the southern portion of Polk Street negatively affects the business climate of Polk Street by discouraging consumer patronage. By restricting new additions to the uses associated with these problems, the proposed controls can help to stop the spread of these problems, but cannot dislodge or eliminate them.

## SACRAMENTO STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Sacramento Street is a small-scale linear commercial district located in the Presidio Heights area of north central San Francisco. During the daytime, it provides a limited range of convenience goods and services for residents of the surrounding Presidio Heights and Laurel Heights neighborhoods and a variety of comparison shopping items for a citywide clientele. The convenience establishments consist mainly of grocery and liquor stores, pharmacies, variety stores, laundries and dry cleaners. The comparison shopping establishments consist mainly of antique stores, specialty boutiques, and hair salons. Evening activity is limited to one movie theater and some restaurants near the corner of Presidio Avenue.

Over the last 15 years the Sacramento Street district has been significantly affected by growth in specialty retail shops and medical office uses. The growth in medical offices has been especially significant, to a point where there are now 70 medical offices and 2 business offices, comprising 46% of the total commercial uses in the district. In many instances, the growth in specialty shops and offices has displaced existing retail and residential uses through converting dwelling units and garages into commercial space. The large demand for medical office space is also considered to be responsible for higher commercial rent levels in the district.

While commercial growth has been at the expense of existing housing, overall there has been a net increase in dwelling units in the district since 1979. Thirteen dwelling units have been converted to commercial use since 1979, but this loss is offset by the construction of 150 new dwelling units for senior citizens at Menorah Park. Presently, the district contains about 300 residential units, with about 40 at the first story, 125 at the second story and 135 at the third story and above. Approximately 75% of the housing units are in purely residential buildings that are interspersed among the commercial, institutional, and mixed-use buildings in the district.

### OBSERVATIONS ON CURRENT TRENDS

Interviews were conducted with 1 established merchant, 1 new merchant, 1 realtor, 1 commercial property owner, 1 apartment building owner, and 2 residents in the Sacramento Street district. They offer observations on the following trends: change on Sacramento Street, impact of nearby hospitals, rent levels, relationship between commercial and residential areas, and zoning controls.

#### Change on Sacramento Street

##### Merchant

A merchant who has operated a retail service on Sacramento Street since 1981 thinks the business environment on the street has improved over the past five years. Citing improvements to the facades of both residential and commercial buildings fronting Sacramento Street, she says: "For my opinion, it has improved. I see a better quality store coming in."





## SACRAMENTO PROPOSED ZONING

**— NCD BOUNDARY**  
**..... ADDITIONS**

Except as noted, EXISTING ZONING is C-2

**Map 17**



### Realtor

A realtor/commercial property owner who has lived and worked in the Sacramento Street area since 1952 also thinks the business environment on the street has improved. He says:

"When we first moved here, there was a lot of dead space. The city gentrified Sacramento Street because it eliminated the old industries that used to exist here. Sacramento Street used to have manufacturers that made uniforms and baby formulas for the entire Bay Area."

In regard to the focus behind the increased commercial activity on Sacramento Street, he says:

"Demographics ... changing demographics around Sacramento Street. When you have housing in the surrounding neighborhood going up from \$14,500 to \$600,000 in 30 years, this is change. The average house in Presidio Heights is \$900,000."

He also observes that there has been a large turnover in businesses on the street:

"Mom and pop shop owners have quit. Mom and pop stores are out of date. They are just not going to exist anymore for reasons other than rent. We are talking about problems of distribution. Distributors just won't come to deliver to 'mom and pop' stores because it isn't economical."

He cites an example where he told a 'mom and pop' grocer who owned his own building that he could make more money by renting out his space to a 'trendy' liquor store operator. The grocer followed his advice and is now making more money.

### Commercial Property Owner

A commercial property owner who owns two mixed-use buildings sees business conditions on Sacramento Street becoming:

"More difficult ... because of costs and because there is a diminishing demand throughout the City, not just Downtown."

### Resident

A grandmother who grew up and reared her children in the residential area surrounding Sacramento Street says:

"To go back a long time, the area was totally residential. We didn't even have a garage. Sacramento Street was 90% residential. We had a few ancillary services on Sacramento Street. Now Sacramento Street has become densely ... densely commercial. I feel that Sacramento Street is saturated. I would be devastated to see more restaurants and bars. I have seen what has happened to Clement Street ... to Union Street."

## Impact Of Nearby Hospitals

The resident and the realtor think that the nearby Children's Hospital and Marshall Hale Health Center are having a major impact on commercial growth along Sacramento Street. The resident says:

"When the hospitals expand, the medical offices that sprout around then move outward, further into our residential and commercial areas."

The realtor says that Sacramento Street's low-key outward appearance is deceptive. Sacramento Street does not look as intense as Union Street, yet it is very intense. The only difference is that Union Street is retail-oriented, while Sacramento Street has quiet upper-story offices.

## Rent Levels

### Merchant

The established merchant thinks escalating rents are a major problem on Sacramento Street, particularly for small merchants who are totally dependent on their business for their livelihood. She says:

"Right down the street a florist went out of business. He had less than 800 square feet. He left because the landlord asked for \$2,700 a month. We don't know what he got from the new merchant, but we think it is over \$2,000 a month. Another landlord on the 3300 block is asking for \$3,000 a month. A restaurant pays \$1,200 a month for a space with only 5 tables and less than 600 square feet."

She adds that most merchants aren't for commercial rent control. They simply want the landlords and the City to understand the situation of the merchants.

"There is no way you can make enough volume with 500 square feet or less to pay the kind of rent they are asking for."

### Merchant

The new merchant interviewee says his rent, at \$2.75 a square foot under a three year lease with a three year option, is "not outrageous, yet also not reasonable".

### Realtor

The realtor who also manages and own commercial property says:

"As far as I am concerned, I raise my rents by the Consumer Price Index. We can't protect people from being stupid. They should get proper advice. In North Beach, some tenant made \$200,000 in improvements on a two-year lease. Now that's stupid. These kinds of stories ... they are not legitimate cases. We shouldn't predicate our decisions on these kinds of cases."



## Relationship Between Commercial and Residential Areas

### Merchant

The established merchant mentions a difference of opinion between merchants and residents about the desirability of a parking garage for Sacramento Street. She says the residents want to keep the area "family oriented" and hence do not want a parking garage because it will encourage more commercial activity. The merchants, while they also want to keep the family orientation, would like a parking garage because it would draw more people and they need more foot traffic for more business.

### Resident

A resident thinks the lack of parking for commercial uses on Sacramento Street makes the residential area less safe for children. It causes people to look for parking along the residential streets where they speed in and out of driveways making it unsafe for children playing in front yards or on the sidewalk.

## Zoning Controls

### Merchant

The established merchant says:

"It is too soon to tell whether the special (zoning) laws have had any effect. The new ones seem to be improved, but whether they will have an effect, we can't tell yet. No restaurant has applied for a permit yet."

### Apartment Building Owner

The apartment building owner says:

"The controls are downzoning our commercial area. My dad (the former owner before the interim controls) could have converted some of his residential units into offices, but I can't. What are the planners so afraid of? There is no danger of Sacramento Street becoming like Union Street. This is a conservative area and it will stay that way. All we are talking about are 4 blocks ... 4 blocks ... why be so restrictive on just 4 blocks?"

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the Sacramento Street District is C-2. The proposed controls, shown in Table 35, are specifically designed for and unique to the Sacramento Street District.

## Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and proposed zonings for Sacramento Street. Floor Area Ratio requirements, however, are more restrictive under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 1.5 to 1.

TABLE 35

SEC. 724.  
SACRAMENTO STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

		SEC. 724.
		Sacramento Street
No.	Zoning Category	References

## BUILDING STANDARDS

.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at grade level and above § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

## COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.5 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 12 a.m. C: 12 a.m. - 2 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

SEC. 724.  
Sacramento Street  
Controls by Story

No.	Zoning Category	References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

## Institutions and Non-Retail Sales and Services

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

## RESIDENTIAL STANDARDS AND USES

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 800 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 275 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 100 sq.ft. if private, or 133 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

		Controls by Story
		1st 2nd 3rd +
.38	Residential Conversion	§ 790.118 § 790.84 P
.39	Residential Demolition	§ 790.86 C C C

## Retail Sales and Services

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	C	
.41	Bar	§ 790.22	C		
.42	Full-Service Restaurant	§ 790.92	C		
.43	Small Fast Food Restaurant	§ 790.90	C		
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114		P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	C	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code			
.55	Tourist Hotel	§ 790.46	C	C	
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

## Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. There are no restrictions on scale of development except for Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning Conditional Use authorization is required for all development on lots of 5,000 square feet or more and for all non-residential development with a use size of 2,500 square feet or more. The proposed zoning is more restrictive in rear yard requirements. It requires rear yard setbacks at grade level and above, while the existing zoning requires rear yard setbacks at residential levels only.

## Restrictions on Type of Use and Use by Story

The proposed zoning for Sacramento Street is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, small fast food restaurants, and take-out food outlets and financial service, which are permitted by right as a Principal Use on all floors under C-2 zoning, are restricted to the ground floor by Conditional Use authorization under the proposed zoning. Large fast food restaurants are prohibited on all floors. General retail activity is permitted by right on the ground floor, and as a Conditional Use on the second floor, provided it does not displace existing housing. It is prohibited above the second floor. Financial service institutions under the proposed zoning require Conditional Use authorization at the ground floor and are prohibited at the second floor and above. The fact that medical offices are prohibited at the ground floor, and professional offices require a Conditional Use at that floor, reflect an effort by the proposed zoning to steer medical and professional office uses to the second floor where they are permitted by right if they do not displace existing housing and meet rear yard and other requirements. Non-residential uses at the third story and above are generally prohibited under the proposed zoning.

## Difference in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Housing demolition require Conditional Use permission at all floor levels. Conversion are prohibited at the 2nd story and above. No such restrictions exist under the C-2 zoning. Housing density standards, allowing no more than one unit per 800 square feet of lot area, are the same under both the existing and the proposed zoning.

## Other Requirements

The proposed zoning has some restrictions which do not exist under the current zoning. These include controls on commercial hours of operation, commercial walk-up facilities, and street frontage design.



## Physical Development Estimates

Table 36 shows ten-year development estimates under the existing zoning and proposed zoning for Sacramento Street. As these estimates indicate, the proposed zoning could significantly curtail the rate of growth in new office space in the Sacramento Street district and minimize the loss of housing units due to conversion. A loss of 56 housing units is estimated under the existing zoning, while a gain of 11 units is projected under the proposed zoning. Space for eating and drinking activity is approximately the same under both zonings.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

The primary growth sector in the Sacramento Street neighborhood commercial economy is office use, mainly medical offices due to its proximity to two hospitals. Demand in other commercial sectors is not as high as that in the office sector for a number of reasons. Sacramento Street is within easy walking distance, generally just a block or two, to California Street and Laurel Village, a neighborhood-size shopping center with a number of high quality retail shops and eating and drinking places. This close proximity to another commercial area limits the potential market for those services in the Sacramento Street district.

Sacramento Street is not located near major public transportation routes and has limited street access to primary tourist centers such as Fisherman's Wharf and Embarcadero Center. For these reasons, it does not attract a large tourist market. Due to its reputation for exclusive and expensive merchandise, and the geographic mobility of upper-income shoppers in the city, it attracts a selected citywide market, but this market does not include a significant number of tourists.

Since Sacramento Street is already built up and its buildings are in good physical condition, it does not offer much potential for new construction. Except for a couple of buildings that are potential redevelopment sites, the properties most vulnerable to being replaced by commercial uses are certain housing units which could be converted into offices to meet the demand for medical offices generated by two nearby hospitals. Offices are therefore a more critical growth sector in the Sacramento Street economy than the eating and drinking and retail sectors.

## Economic Implications of Physical Development Estimates

The most important economic impact of the proposed controls stems from the restrictions on medical offices. The controls prohibit medical offices everywhere except at the second story, and then only if they do not displace existing housing. The controls are likely to exert upward pressure on medical office rents. Growth in medical offices over the past decade has occurred at the expense of more neighborhood-oriented retail uses because users of the medical offices have outbid retailers. Assuming that the demand for medical office space remains high, the proposed controls would increase rent levels for medical offices but stabilize them for retail uses.

TABLE 36  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, SACRAMENTO STREET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	16,700	188,600	160,200	365,500	10,600	22,000	398,100	324,100 (311)	722,200
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+200	+2,700	+9,100	+12,000	+6,200	-9,100	+9,100	0 (0)	+9,100
Conversions of Use	+700	+13,300	+90,100	+104,100	-7,500	0	+96,600	-75,900 (-56)	+20,700
<b>Total Change</b>	<b>+900</b>	<b>+16,000</b>	<b>+99,200</b>	<b>116,100</b>	<b>-1,300</b>	<b>-9,100</b>	<b>+105,700</b>	<b>-75,900 (-56)</b>	<b>+29,800</b>
Potential Land Use	17,600	204,600	259,400	481,600	9,300	12,900	503,800	248,200 (255)	752,000
% Change-Land Use	+5%	+9%	+62%	+32%	-12%	-41%	+27%	-23% -18%	+4%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+200	+4,200	0	+4,400	+2,400	-9,100	-2,300	+6,700 (+8)	+4,400
Conversions of Use	+700	+16,100	+11,100	+27,900	-7,000	0	+20,900	0 (+3)	+20,900
<b>Total Change</b>	<b>+900</b>	<b>+20,300</b>	<b>+11,100</b>	<b>+32,300</b>	<b>-4,600</b>	<b>-9,100</b>	<b>+18,600</b>	<b>+6,700 (+11)</b>	<b>+25,300</b>
Potential Land Use	17,600	208,900	171,300	397,800	6,000	12,900	416,700	330,800 (322)	747,500
% Change-Land Use	+5 %	+11%	+7%	+9%	-43%	-41%	+5%	+2% +4%	+4%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

Unlike medical offices, business offices are not restricted at the ground level. Also, since the demand for business office space is evidently not as high as that for medical offices, landlords would not be as likely to raise rents.

### Economic Implications of Community Observations

The primary economic issue revealed in the interviews and field observations in the Sacramento Street District involves negative externalities, i.e. indirect environmental impacts of economic activities on people in the neighborhood. In the case of Sacramento Street, residents perceive that increased commercial activity threatens the 'family orientation of their neighborhoods. More specifically, their concerns focus on the spill-over of parking and traffic congestion from commercial to residential areas; unsafe traffic conditions for elderly pedestrians and children playing in front yards adjacent to busy streets; night-time noise from bars and restaurants; offensive odors from restaurants; diminished residential property values; etc. Counterposed to these concerns are those of merchants, who feel they want more business activity to meet increased rents, insurance rates, and other operating costs. While many merchants, such as operators of stores for children's clothing, are dependent on the family orientation of the neighborhood for their trade and wish to preserve this orientation, they also want more foot traffic to increase their business volume.

To a large extent, these conflicting concerns are caused by the distortions which office growth has created in the Sacramento Street economy. Office growth has increased the incompatibility between the commercial areas and surrounding residential neighborhoods by displacing existing housing units and making neighborhood-serving businesses less attractive to landlords as commercial tenants. Commercial property owners would like to see the street cater to a larger citywide market, but are likely to be frustrated in this regard by the basic scale, character and location of the street.

The proposed controls should help to eliminate these distortions by providing for more balanced growth. Office growth is significantly curtailed by restricting it to the second story. Even if new office space is available without displacing housing, it is likely to be very expensive, thereby further discouraging such growth. This should help to protect existing housing, strengthen the market for neighborhood-oriented retail activity, and assure that future commercial growth does not occur at a scale and intensity that further reduces residential livability and increases incompatibility between the commercial area and surrounding residential neighborhoods.

Demand for medical office space may be met to some extent by the potential for new office development at nearby Laurel Village shopping center. The NC-S zoning proposed for Laurel Village incorporates a site that is currently zoned residential and gives this site potential for a mixed-use retail, office, and residential building. Such development could draw some future office growth away from Sacramento Street to Laurel Village shopping center, which as an exclusively commercial space is better equipped than Sacramento Street to accommodate increased growth and intensification in commercial activity.



## ASSESSMENT

The above analysis of the Sacramento Street Neighborhood Commercial District supports the following conclusions:

- The proposed controls should strengthen the long-run economic viability of the Sacramento Street district and improve compatibility between the commercial area and surrounding residential areas by significantly restricting office growth and thereby eliminating the imbalances which such growth has created between high intensity commercial activity and neighborhood-oriented retail and housing activity.
- Space for future development at nearby Laurel Village should provide a suitable alternative to Sacramento Street for a limited amount of new office space.

## UNION STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Union Street is an intensely developed citywide specialty shopping area located in northern San Francisco adjacent to the Marina and Pacific Heights residential neighborhoods. The principal shopping area, located along Union Street between Van Ness Avenue and Steiner Street and including an arm extending north on Fillmore Street to Lombard Street, encompasses about 11 blocks of continuous retail frontage. Pedestrian activity is highly focused, concentrated along side storefronts, sometimes extending into courtyards. The high demand for commercial space has led commercial establishments to locate in building areas and on floors that normally are not attractive to such establishments. Union Street has more retail activity located on upper floors and in rear yards and basements than any other neighborhood commercial district in San Francisco.

As a citywide commercial area Union Street specializes in shopping, eating, drinking and entertainment activities. Of the total of 608 commercial uses, about 225 retail sales and 83 retail service uses occupy 75 percent of total ground-story commercial frontage, with about 19 retail sales and 277 retail service uses upper stories. Retail uses include many women's clothing stores, art galleries and antique stores. There are 196 professional, realty and business offices, 6 financial institutions and 55 eating and drinking establishments in the Union Street district.

The growth of Union Street into a citywide shopping area has occurred over the past two decades. The physical scale of the area has remained the same, consisting primarily of two- or three-story structures, but the intensity of the commercial activity has increased dramatically with the spread of retail and office uses into the upper stories of these structures. At the same time, this increased commercial intensity has reduced the street's residential activity. The proliferation of eating and drinking establishments has led to an increase in the level of night time activity, vandalism, noise, garbage in the streets, traffic congestion and parking shortages. Although the area still has over 300 dwelling units, over the last two decades many units have been converted to offices and other commercial uses. Problems relating to the proliferation of eating and drinking places and conversion of upper story residences to commercial uses led to the proposed zoning controls.

### OBSERVATIONS ON CURRENT TRENDS

Five interviews were conducted in the Union Street commercial district. Interviewees include two established merchants, one new merchant, one realtor and one commercial property owner. The observations cover the following topics: rent levels, key money, the uniqueness of Union Street's market demand, and the proposed zoning controls.

## Rent Levels

### Merchant

A retail merchant who has been on Union Street since 1979 and who is currently paying \$1,900 a month for 900 square feet thinks her rent is reasonable, but adds that she will have to draw the line at \$2,000 a month because her business does not generate enough sales revenue for her to pay over \$2,000 a month. She also comments that the 'big buck' types have come on Union Street and pushed up the rents and that the small merchants who made Union Street into what it is today have been forgotten.

### Merchant

A service-oriented business operator who has been on Union Street since 1972 is currently paying \$900 a month rent for second story office space under a new lease. This is an increase from \$600 a month under her old lease. At the end of the five month term under the new lease she will be paying \$1,200 a month. She thinks the rate of increase under her new lease is unreasonable. She also comments:

"Rents have gone crazy and are not consistent. Some realtors have rented from owners and then sublet, thereby significantly increasing rents."

### New Merchant

A retail merchant who had been on Union Street less than a year at the time of the interview is paying \$3,600 a month rent for 1,000 square feet in ground floor space. Her lease is for five years with no option for renewal. At the end of the five year term she will be paying \$5,100 a month or \$5.10 a square foot.

She thinks her rent is high, but more reasonable than an alternative location she looked at on Union Street which was asking \$5,000 a month rent for 500 square feet under a two-year lease. To her the length of the lease is a very important consideration. A five year lease provides a more reasonable period of time than a two year lease to realize benefits from the investment costs required to improve the space for the business.

### Realtor

A realtor whose office is located on Union Street and who has done business in the Union Street area for about 12 years says there has been a basic change in the terms of most rental leases. He says about 5 years ago the average term for a lease was 5 years with a 5 year option. Now the average term is 3 years with a 3 year option.

## Key Money

### Merchant

A merchant mentions that key money payments are common in the Union Street district. "Key" money is a lump sum payment that a prospective tenant makes to a landlord or a sub-lessor just to get into a space. The payment is in addition to first and last month payments and security deposits. The interviewee says she made a 'key money' payment of \$8,000 to get into her space when she first rented it in 1979.





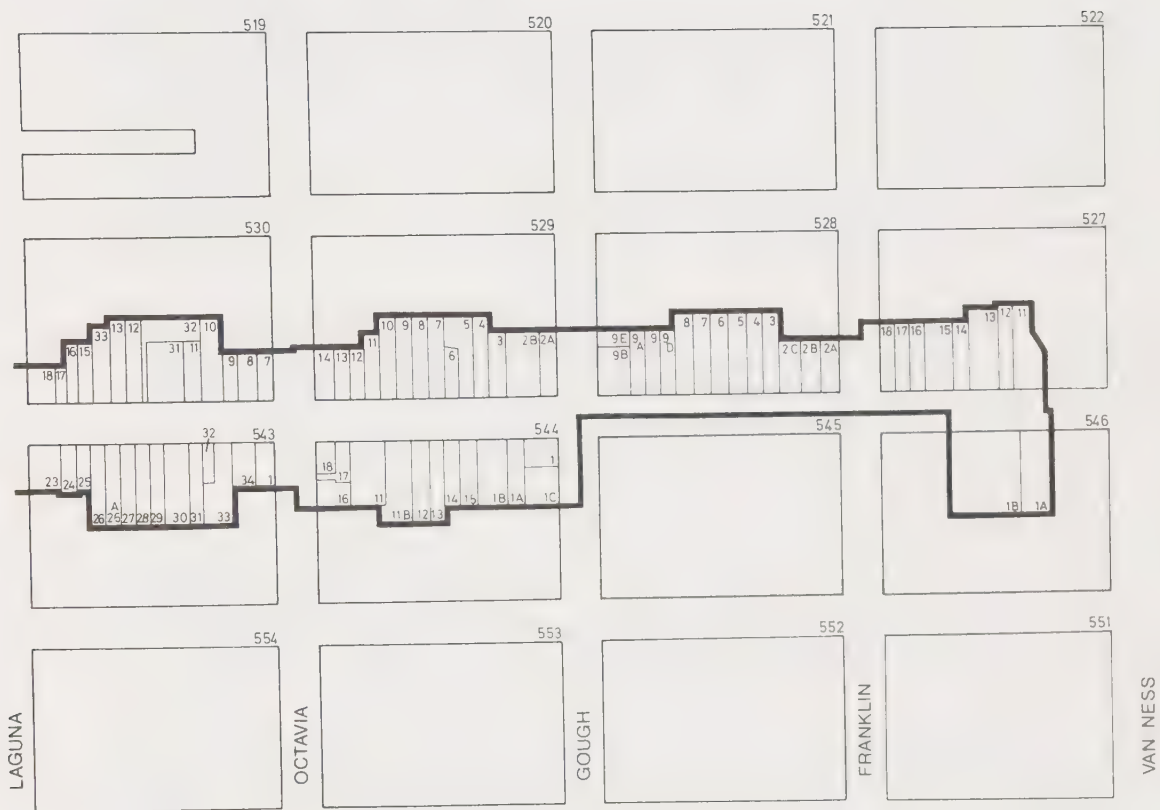
## UNION PROPOSED ZONING

Map 18

- NCD BOUNDARY
- ADDITIONS
- DELETIONS



Except as noted, EXISTING ZONING  
is C-2 with Permanent S.U.D.  
**DELETE UNION STREET S.U.D.**



### **New Merchant**

A new merchant who opened her store in 1985 says she paid key money for the right to rent the space. She was asked to pay \$20,000; however, she does not specify what amount she actually ended up paying. She does not necessarily agree with the key money practice, but says it is unavoidable if one wants the space. "If we did not pay ... we would not have gotten the space. We wanted the space".

### **Realtor**

The realtor says of the key money practice:

"As far as we can trace it, it was imported here from Los Angeles. It began with a big national chain tenant who paid key money to buy out an existing tenant for some desired space. It is still being practiced by some national chains, but has tended to diminish. It was much bigger 3 or 4 years ago."

## **Uniqueness of Union Street Market Demand**

### **Merchant**

A merchant sees the Union Street commercial area offering a higher quality of merchandise to a higher income clientele. She says the goods and services offered on Union Street are a 'cut above'. Businesses offering standardized merchandise have not been able to compete because Union Street stores specialize in customized and individualized merchandise.

### **Merchant**

The new merchant says she chose the Union Street location because "we wanted a strong mixture of local and tourist customers". She looked into Downtown as a possible location, but eventually decided upon Union Street because of its balance between local and tourist customers.

### **Realtor**

The realtor thinks Union Street has peaked as a highly unique and exclusive specialty shopping district because its market has become "very soft". To him, the peak occurred with the construction of Pier 39 and Embarcadero Center which cut into Union Street's tourist market. More recently, other trendy shopping areas such as Upper Fillmore have cut into Union Street's market. He says:

"At one time nothing was comparable to Union Street. Today this type of demand does not exist. Union Street no longer has a monopoly on trendy merchandise."

## **Zoning Controls**

Most interviewees are generally aware and supportive of the special zoning laws for Union Street, but object to those provisions restricting commercial uses of upper story space. Most also think the zoning laws are not adequately enforced.



#### Merchant

An established merchant thinks the proposed controls are going too far to protect housing by restricting commercial uses on the upper floors. She says that if zoning controls go too far in restricting business activity to accommodate more housing, landlords will make up the difference by charging higher rents for commercial space to compensate for the lower rents for housing.

She also thinks that the zoning code is not being adequately enforced, that too many businesses are getting permits without following the design guidelines and that demolition is occurring without the community being informed on a timely basis.

#### Merchant

Another established merchant thinks that the proposed rezoning should legalize the upper story commercial uses that already existed on Union Street prior to it becoming a Special Use District, even if they were illegally converted from residential uses. She says it would be disastrous for businesses in the district if the City required a reversion back to residential uses on the upper floors.

#### Commercial Property Owner

The commercial property owner says after originally agreeing with the special zoning laws for Union Street he now disagrees with them. He says:

"Controls distort market prices. We should let the market sort it out. No landlord can go far in charging more than the market can bear. Many don't know this when they first start out, but they learn after a couple of years."

#### Realtor

The realtor thinks that as a whole the special zoning laws regulating Union Street have worked well, but their restrictions on converting upper story housing to commercial have presented problems. He says that as commercial activity on Union Street becomes more intense, residential space on upper floors becomes less desirable and less fully utilized. According to him, the tenants in the upper story housing tend to be more transient because potentially stable tenants do not seek housing directly on Union Street because of its commercial intensity. Hence it would be better if landlords were free to convert their upper story housing into offices.

#### DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the Union Street District is C-2 with a permanent Special Use District overlay imposed in 1981. The proposed controls, shown in Table 37, are specifically designed for and unique to the Union Street District. They reflect the existing physical scale and character of the street.

#### Restrictions on Height Limits and Floor Area Ratios

Height Limits are the same under both the existing and proposed zonings for Union Street. Floor Area Ratio requirements, however, are more restrictive

TABLE 37

SEC. 725.  
UNION STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 725. Union Street
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size (Per Development)	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	2.5 to 1 § 124(a)(b)
.21	Use Size (Non-Residential)	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P	C	C
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services (Not Listed Below)	§ 790.102	P	P	
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	P		
.51	Medical Service	§ 790.114	P	P	C
.52	Personal Service	§ 790.116	P	P	C
.53	Business or Professional Service	§ 790.108	P	P	C
.54	Massage Establishment	§ 790.60 § 2700 Police Code			
.55	Tourist Hotel	§ 790.46	C	C	C
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

			SEC. 725. Union Street		
			Controls by Story		
No.	Zoning Category	§ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space (Per Residential Unit)	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 2.5 to 1.

### Other Restrictions on Scale of Development

In other standards regarding scale of development, the proposed controls are similar to the C-2/SUD controls. Under the proposed zoning Conditional Use authorization is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. The proposed zoning is more restrictive in rear yard requirements. It requires rear yard setbacks above the ground story and at all residential levels, while the existing zoning requires rear yard setbacks at residential levels only.

### Restrictions on Type of Use and Use by Story

The proposed zoning for Union Street is more restrictive than the existing C-2/SUD zoning in types of use and use by story. New bars, full-service restaurants, fast food restaurants, take-out food outlets, and adult entertainment, which are permitted as a Conditional Use on all stories under C-2/SUD zoning, are prohibited under the proposed zoning. Financial service institutions under the proposed zoning require Conditional Use permission at the ground story and are prohibited at the second story and above. Under the proposed zoning, the only second story non-residential uses that are permitted as a right are general retail and offices if they do not displace housing and meet the floor area ratio and other requirements. Conditional Use authorization is required if they do convert existing housing. Non-residential uses above the second story also require Conditional Use permits.

### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Conditional Use authorization is required for housing demolition on all stories and for housing conversions at the second story and above. Housing conversions are permitted by right at the ground story. No such restrictions exist under the C-2 zoning. At the same time, the proposed controls are slightly less restrictive in housing density standards, allowing generally 1 unit per 600 square feet of lot area, while the C-2 zoning generally allows 1 unit per 800 square feet.

### Other Requirements

In addition, the proposed zoning has some restrictions which do not exist under the current zoning. These include controls on commercial hours of operation and commercial walk up facilities.



## Physical Development Estimates

Physical development estimates for Union Street, shown in Table 38, indicate less potential development under the proposed zoning than under the existing zoning. Potential development in the office sector under the proposed zoning is approximately one half of that under the existing zoning. No new development in eating/drinking space is estimated under the proposed zoning, while under the existing zoning such space shows a gain of 8,800 square feet. The decline in housing on Union Street is expected to continue over the next 10 years, but at a lesser rate under the proposed zoning than under the existing zoning. The proposed zoning would therefore help to reduce the loss of housing to commercial uses.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The main question facing Union Street is whether the growth of businesses on the street during the next ten years will match that of the past ten when Union Street heralded the trend toward the upscale retail which has spread to many other neighborhood commercial districts in San Francisco. If business activity continues to increase, the proposed zoning could have a significant economic impact, both in terms of the overall competition for commercial space on Union Street and specifically in terms of the competition for space in the office and eating/drinking sectors where the proposed controls are most restrictive.

An indication of the intensity of the competition for commercial space on Union Street is key money payments. Union Street is the only district where this practice was reported to exist. Competition for space is so intense that some merchants are willing to make large lump sum payments, reported up to \$20,000 in one case, just to have the right to rent space on Union Street. Realtors interviewed say although this practice is declining, it still is going on. The retail merchants interviewed for this study, including an established merchant who opened on Union Street in 1979 and a new merchant who opened in 1985, state they made key money payments to obtain their space.

Key money payments are symptomatic of the robustness of the Union Street economy and the strong upward pressure on rents that has resulted. By restricting growth in new commercial space, the proposed zoning could add to these pressures. The restrictions of the proposed zoning apply primarily to the office and eating/drinking sectors. Hence, these uses will likely experience the greatest rent pressures as long as demand for commercial space on Union Street remains very high.

### Economic Implications of Community Observations

The demand for commercial space on Union Street may not be as great as it has been in the past. The growth in commercial activity on Union Street over the past 10-15 years was in many ways exceptional. It was the first neighborhood commercial district to successfully specialize in catering to an upscale market. Union Street had a virtual monopoly on that market during the early

TABLE 38  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, UNION STREET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	82,700	344,900	229,600	657,200	19,800	28,700	705,700	368,600 (366)	1,074,300
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+1,800	+13,100	-100	+14,700	0	0	+14,700	0 (0)	+14,700
Conversions of Use	+7,000	+13,100	+62,900	+83,000	-19,800	0	+63,200	-56,200 (-47)	+7,000
<b>Total Change</b>	<b>+8,800</b>	<b>+26,200</b>	<b>+62,800</b>	<b>+97,700</b>	<b>-19,800</b>	<b>0</b>	<b>+77,900</b>	<b>-56,200 (-47)</b>	<b>+21,700</b>
Potential Land Use	91,500	371,100	292,400	754,900	0	28,700	783,600	312,400 (319)	1,096,000
% Change-Land Use	+11%	+8%	+27%	+15%	-100%	0%	+11%	-15% -13%	+2%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	+11,200	-1,100	+10,100	0	0	+10,100	0 (0)	+10,100
Conversions of Use	0	+13,500	+30,300	+43,800	-19,800	0	+24,000	-23,800 (-20)	+200
<b>Total Change</b>	<b>0</b>	<b>+24,700</b>	<b>+29,200</b>	<b>+53,900</b>	<b>-19,800</b>	<b>0</b>	<b>+34,100</b>	<b>-23,800 (-20)</b>	<b>+10,300</b>
Potential Land Use	82,700	369,600	258,800	711,100	0	28,700	739,800	344,800 (346)	1,084,600
% Change-Land Use	0%	+7%	+13%	+8%	-100%	0%	+5%	-6% -5%	+1%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

years of its growth. Today, however, the situation is different. As a realtor points out, new citywide commercial centers, such as Pier 39 and Embarcadero Center, have cut into Union Street's tourist trade. Moreover, several other neighborhood districts, such as Upper Fillmore and Sacramento Streets, also are catering to an upscale market.

For these reasons, increases in demand in the future may not be as large and Union Street may face more competition. Assuming that demand for merchandise on Union Street is softening, the potential economic impacts of the proposed zoning controls will have less significance. For example, the prohibition on new restaurants will have little effect if there is limited interest in opening up new restaurants on Union Street and turnover in ownership among existing restaurants proves adequate for accommodating the investment plans of new restaurants.

As more neighborhood commercial areas come to offer the kind of specialized and customized merchandise offered on Union Street, the uniqueness of Union Street may come to rest not so much on the uniqueness of its merchandise as on the uniqueness of the physical environment in which its commercial activity takes place. Other areas in the city may have Victorian and Edwardian facades as does Union Street, but what makes Union Street unique is the vibrancy and intensity of the commercial activity behind the facades. In buildings that originally were designed as residences and still exhibit a residential size and scale, one finds a dynamic variety of commercial activity in places one might not expect - in places that one has to discover, such as basements, areas fronting rear and side yards, and upper floors. Thus within a neighborhood that maintains a residential physical scale, one finds commercial variety and intensity comparable to that of a small village.

The controls provide a mechanism for maintaining buildings on Union Street at their existing size and scale. The urban design guidelines, proposed as a part of the Master Plan revisions to the Neighborhood Commercial rezoning proposal, provide a mechanism for preserving and enhancing the street's architectural character. While these aspects of the proposed rezoning do not have direct economic impact, they have important implications for Union Street's market appeal as a shopping area. To the extent that this market appeal rests upon Union Street's neighborhood size and scale and the uniqueness of its relatively consistent architectural facade, the proposed controls enhance this appeal.

The proposed controls also provide the district with flexibility needed to respond to changing market conditions and trends. If there is a major increase in demand for office space and a drop in demand for retail, existing retail space, much of which is upper story, can be converted to offices. Or if there is an increase in demand for retail at the second floor, existing office space can be converted to retail. The primary area where the proposed controls lack flexibility is the eating and drinking sector. No growth is permitted in eating and drinking activity. However, since eating and drinking establishments typically pay the highest rents, restricting their growth may help to limit the rent increase pressure on other commercial uses.



## ASSESSMENT

The above analysis of the Union Street Neighborhood Commercial District supports the following conclusions:

- The proposed zoning is not likely to have adverse economic impact on the Union Street economy.
- The building controls and design guidelines under the proposed zoning should help Union Street to maintain its existing physical scale and architectural character and thereby enhance those qualities that make it a unique shopping area and give it special market appeal.
- The use controls provide flexibility to respond to more complex trends in consumer demand as Union Street faces a more competitive future with more commercial areas in the cities offering a similar range of merchandise to a similar clientele.

## VALENCIA STREET NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Valencia Street is a one-mile linear commercial strip. Located in the Mission district, it has a tradition of warehousing and light manufacturing uses and has long been identified as a center of auto repair, home furnishing, and appliance retail stores. While it still has a large number of these latter uses, including 18 automobile repair garages and 25 retail and wholesale home furnishing outlets, it recently has experienced an influx of other types of commercial uses as demographic changes have occurred in the nearby Noe Valley and Eureka residential neighborhoods. These newer uses frequently have occupied empty floor storefronts and include a variety of eating and drinking establishments and retail and institutional storefronts. The Valencia Street district also has become a center of activity for women owned and operated businesses.

So far, recent growth has not been at the expense of existing housing. The total number of dwelling units in the Valencia Street district has not changed significantly since 1979. The current total of about 1,032 units includes over 500 second story units and about 465 units in residential hotels. Since most of these units provide affordable housing for the low and moderate income residents, it is important that future growth not displace existing housing.

A relatively fine-grained architectural detail scale presently exists in the Valencia Street district. Approximately three-fourths of the buildings in the district are two to three stories in height. However, less than 3% are more than three stories and more than 20% are one story. This proportion of one-story buildings is higher than in most districts of the city due to Valencia Street's tradition as a center for warehousing and light manufacturing uses. These one-story structures, along with vacant parcels, present potential sites for redevelopment and development. Controls are designed to assure that the overall height and bulk of future development is compatible with what already exists in the area.

### OBSERVATIONS ON CURRENT TRENDS

Four interviews were conducted in the Valencia Street neighborhood commercial district. Interviewees include 3 merchants and 1 realtor. Their comments cover the following topics: change on Valencia Street, rent levels, and zoning controls.

#### Change on Valencia Street

##### Merchant

A merchant who has operated a restaurant on Valencia Street since 1977 says of the types of uses that exist on Valencia Street:

"I think there's been a lot of ... just speaking about Valencia Street ... auto parts shops ... and corner grocery stores that sell liquor. There are more cafes and restaurants ... but mostly corner grocery stores that sell beer and wine. I think too many."

She also thinks the business climate has become more difficult.

"I think it's been very hard. I don't know whether it's improving, getting worse, or what, but I've seen a lot of businesses turn over."

#### Merchant

A merchant who is a member of a collective that has operated a bookstore on Valencia Street for 10 years speaks of the limited foot traffic and night-time activity on Valencia Street:

"I think there are a couple of other places that are open late at night. When I leave here at 9 or 10, there is some foot traffic, but not the kind that is on Mission. In regard to chain stores and fast food outlets, Kentucky Fried has been here since I have been here ... but that's about it. I'm trying to recall what other people who have been here a longer time tell me. I kind of get the impression that business has grown a little. It's probably somewhere between 'stayed the same' and 'modest growth'.

#### Merchant

A new merchant who recently opened a retail shop on Valencia Street says:

"Probably the block isn't as developed in terms of being a business street as Mission. There are still a lot of empty lots. There are also some nice businesses."

#### Realtor

A realtor with a firm that has been on Valencia Street since 1947 and that owns several buildings there says business activity on the street is limited. He says at one time, some years ago, people were buying up property on Valencia Street for speculation because they thought commercial growth from downtown Market Street was going to spread down Valencia. However, that growth never occurred and since then there has not been much business activity on the street.

#### Rent Levels

##### Merchant

The merchant with the bookstore collective on Valencia says they pay a monthly rent of \$1,150 for 1500 square feet. They are on a three-year lease with a two-year option. She says rent increases are a major problem for the collective. Their current lease began in 1985 and is a 22% increase over their prior lease. When their current lease expires in 1990, the collective will be paying \$1,550 a month in rent.

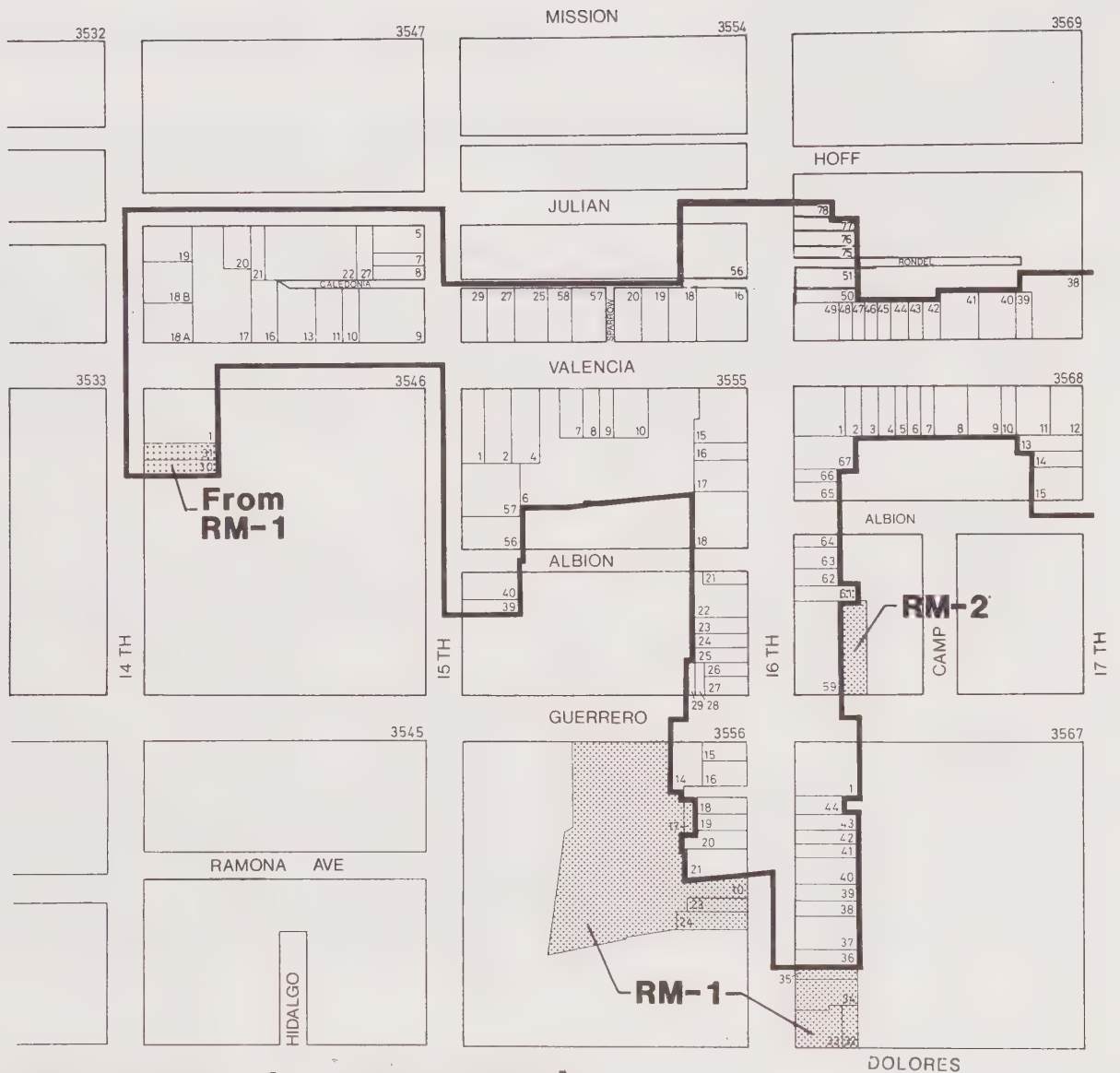
She also says:

"I wish I knew more about these things. We are interested in buying a building. That's the only way we can get a handle on the rent situation."

##### Merchant

The restaurateur on Valencia Street does not divulge the amount of her rent. She has a lease that takes her to 1989 and considers her rent to be reasonable.





## VALENCIA (14TH-20TH)

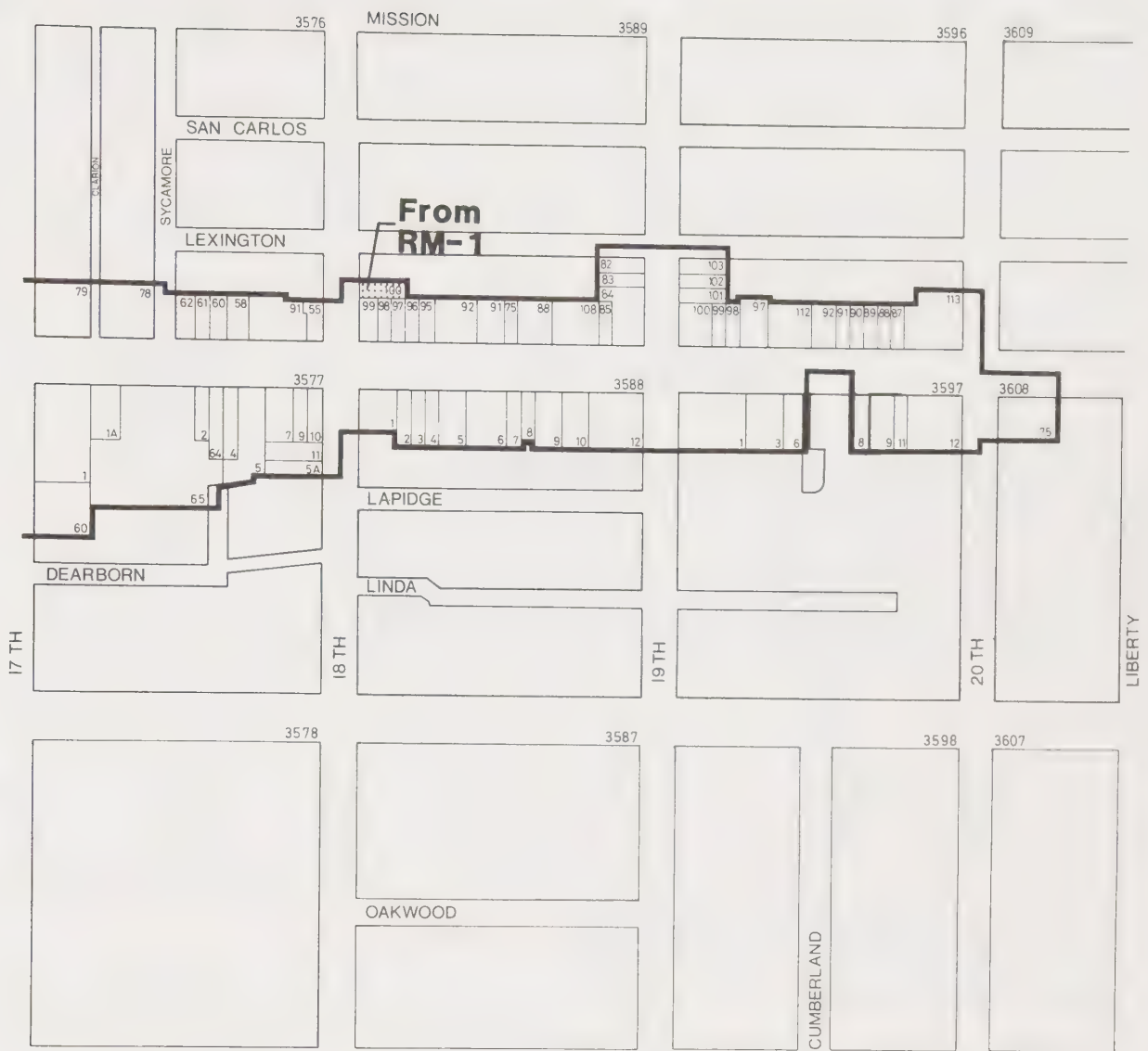
### PROPOSED ZONING

Map 19

- NCD BOUNDARY
- ADDITIONS
- DELETIONS

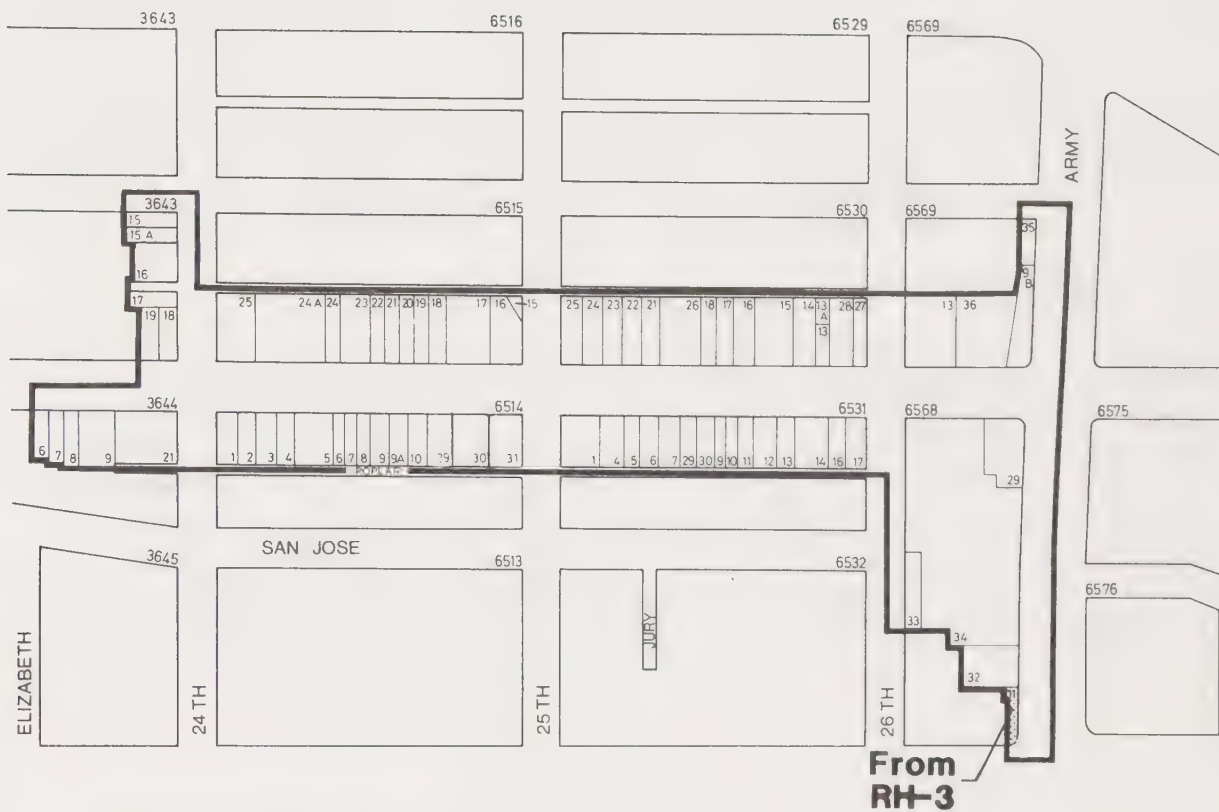
Except as noted, EXISTING ZONING is C-M











### Merchant

The new merchant says he pays \$1,500 a month for 1200 square feet and considers this rent level to be reasonable.

### Zoning Controls

#### Merchants

The merchants interviewed were not aware of the proposed zoning controls or of any special zoning issues affecting Valencia Street.

#### Realtor

The realtor wants to state his firm's opposition to restrictions on converting upper story housing into commercial. As property owners, they feel they have right to obtain the "highest and best" use from their property.

### DIFFERENCES BETWEEN EXISTING AND PROPOSED CONTROLS

Existing controls for Valencia include both C-M and C-2 zoning classifications. The C-M zoning, which covers Valencia Street from 14th to 20th Streets, permits heavy commercial uses, such as wholesaling, and some light manufacturing and processing industrial uses and require conditional use authorization for residential uses. The C-2 zoning, which covers Valencia Street between 20th and Army Streets and a portion of 16th Street, permits a wide range of commercial uses up to the third story. All commercial uses permitted under the C-2 zoning are also permitted under the C-M zoning. The proposed zoning controls, shown on Table 39, are specifically designed for and unique to the Valencia Street district. It is reflective of the existing physical characteristics of the districts.

### Restriction and Height Limits and Floor Area Ratios

Controls regulating Height Limits are the same for the existing C-M and C-2 zonings and the proposed zoning. The proposed zoning however, is significantly more restrictive than the existing zonings in Floor Area Ratio. The proposed zoning allows a maximum Floor Area Ratio of 1.75 to 1 while the existing C-M zoning allows a ratio of 9 to 1 and the existing C-2 allows one of 3.6 to 1.

### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-M and C-2 zonings. Under the proposed zoning Conditional Use review is required for all development on lots of 10,000 square feet or more and for all non-residential development with a use size of 3,000 square feet or more. The proposed zoning has more restrictive rear yard requirements. It requires rear yard setbacks at the second story and above, and at all residential levels, while the existing zonings require rear yard setbacks at residential levels only.

SEC. 726.  
VALENCIA STREET NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

TABLE 39

SEC. 726. Valencia Street			
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X, 50-X See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 9999 sq. ft., C 10,000 sq. ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.75 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2999 sq. ft., C 3000 sq. ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq. ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq. ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

SEC. 726. Valencia Street			
No.	Zoning Category	§ References	Controls by Story
			1st 2nd 3rd +
.38	Residential Conversion	§ 790.118	P
.39	Residential Demolition	§ 790.86	C C C
<b>Retail Sales and Services</b>			
.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P C
.41	Bar	§ 790.22	C
.42	Full-Service Restaurant	§ 790.92	P
.43	Small Fast Food Restaurant	§ 790.90	P
.44	Large Fast Food Restaurant	§ 790.91	C
.45	Take-Out Food	§ 790.122	C
.46	Movie Theater	§ 790.64	P
.47	Adult Entertainment	§ 790.36	
.48	Other Entertainment	§ 790.38	C
.49	Financial Service	§ 790.110	P
.50	Limited Financial Service	§ 790.112	P
.51	Medical Service	§ 790.114	P C
.52	Personal Service	§ 790.116	P C
.53	Business or Professional Service	§ 790.108	P C
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C
.55	Tourist Hotel	§ 790.46	C C
.56	Automobile Parking	§§ 790.8, 156, 160	C C C

SEC. 726. Valencia Street			
No.	Zoning Category	§ References	Controls by Story
			1st 2nd 3rd +
.57	Automotive Gas Station	§ 790.14	
.58	Automotive Service Station	§ 790.17	C
.59	Automotive Repair	§ 790.15	C
.60	Automotive Wash	§ 790.18	
.61	Automobile Sale or Rental	§ 790.12	
.62	Animal Hospital	§ 790.6	C
.63	Ambulance Service	§ 790.2	
.64	Mortuary	§ 790.62	
.65	Trade Shop	§ 790.124	P C
.66	Storage	§ 790.117	
<b>Institutions and Non-Retail Sales and Services</b>			
.70	Administrative Service	§ 790.106	
.80	Hospital or Medical Center	§ 790.44	
.81	Other Institutions	§ 790.50	P C C
.82	Public Use	§ 790.80	C C C
<b>RESIDENTIAL STANDARDS AND USES</b>			
.90	Residential Use	§ 790.88	P P P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq. ft. lot area § 207.4
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq. ft. lot area § 208
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 80 sq. ft. if private, or 100 sq. ft. if common § 135(d)
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)
.95	Community Residential Parking	§ 790.10	C C C



## Restriction on Type of Use and Use by Story

The proposed zoning for Valencia Street is more restrictive than the existing C-2 and C-M zoning in types of use and use by story. Light manufacturing and related uses which are permitted by right as a Principal Use at all floor levels under the existing zoning are prohibited under the proposed zoning. New bars, full-service restaurants, fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principal Use at all floor levels under both the C-2 and C-M zonings are restricted to the ground floor under the proposed zoning. Moreover, new bars, large fast food restaurants, and take-out food outlets also require Conditional Use authorization to locate at the ground floor. Uses allowed above the ground floor are limited to offices and general retail which can locate on the second floor with Conditional Use authorization if they do not displace existing housing and meet floor area ratio and other requirements.

## Differences in Housing Controls

The proposed zoning has more restrictive housing demolitions and conversions controls. Conditional Use authorization is required for housing demolition on all floors. Housing conversions at the second floor and above are prohibited. No such restrictions exist under the C-M and C-2 zonings. At the same time, the proposed controls are less restrictive in housing density standards, allowing 1 unit per 600 square feet of lot, while the C-2 zoning allows 1 unit per 800 square feet.

## Other Requirements

The proposed zoning has some restrictions which do not exist under the current zonings. These include controls commercial hours of operation, commercial walk-up facilities, and street frontage design.

## Physical Development Estimates

Physical development estimates for the Valencia Street district are shown in Table 40. These estimates show a modest difference in future physical development primarily involving a trade-off between more potential office development under the existing zoning and more potential housing development under the proposed zoning. Estimated office growth over a ten-year period under the proposed zoning is 5,100 square feet, less than one-third of that estimated under the existing zoning. The number of new housing units estimated under the proposed zoning is 46 compared to 37 new units under the existing zoning. These differences tend to be insignificant in relation to the total amount of building space in the Valencia Street district. Estimated growth in total physical development, including both non-residential and residential space, amounts to 30,400 square feet under the existing zoning and 33,700 under the proposed zoning. Each of these amounts comprises no more than 1% of the 2,628,100 in square feet building space that currently exists in the district.

TABLE 40  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, VALENCIA STREET NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	103,000	456,500	64,800	624,300	1,021,000	41,400	1,686,700	941,400 (1,580)	2,628,100
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+2,000	+12,500	+2,400	+16,900	-10,000	-12,900	-6,000	+36,400 (+47)	+30,400
Conversions of Use	+2,600	+16,800	+17,200	+36,600	-21,900	0	+14,700	-14,700 (-10)	0
<b>Total Change</b>	<b>+4,600</b>	<b>+29,300</b>	<b>+19,600</b>	<b>+53,500</b>	<b>-31,900</b>	<b>-12,900</b>	<b>+8,700</b>	<b>+21,700 (+37)</b>	<b>+30,400</b>
Potential Land Use	107,600	485,800	84,400	677,800	989,100	28,500	1,695,400	963,100 (1,617)	2,658,500
% Change-Land Use	+4%	+6%	+30%	+9%	-3%	-31%	+1%	+2% +2%	+1%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+1,700	+10,900	+2,600	+15,200	-10,000	-12,900	-7,700	+41,400 (+46)	+33,700
Conversions of Use	+2,600	+16,800	+2,500	+21,900	-21,900	0	0	0 (0)	0
<b>Total Change</b>	<b>+4,300</b>	<b>+27,700</b>	<b>+5,100</b>	<b>+37,100</b>	<b>-31,900</b>	<b>-12,900</b>	<b>-7,700</b>	<b>+41,400 (+46)</b>	<b>33,700</b>
Potential Land Use	107,300	484,200	69,900	661,400	989,100	28,500	1,679,000	982,800 (1,626)	2,661,800
% Change-Land Use	+4%	+6%	+8%	+6%	-3%	-31%	0%	+4% +3%	+1%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

## ANALYSIS OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

Commercial activity on Valencia Street is very limited in relation to the geographical length of the street and the building densities permitted under both the existing and proposed zoning controls. It would take an extraordinary rise in economic demand to stimulate the volume and scale of commercial growth that would make differences between current and proposed zoning a critical factor in the future course of development. While there has been some recent growth in retail activity and in women-owned and operated businesses on the street, this growth is very small in relation to the size of the area.

### Economic Implications of Community Observations

Field interviews support this assessment. Two of the interviewees, a retailer and a restaurateur, are associated with women-owned and operated businesses. These businesses represent a new phenomenon on Valencia. While such businesses have a distinct presence on the street, they do not draw a market of the size and scale to change the basic character of the street. A realtor whose firm has been on Valencia Street since 1947, states that there is limited business activity on the street and no major increases are expected.

It would also not be reasonable to expect much spillover growth onto Valencia Street from Mission Street. Mission Street is a more active street, but growth there also is lagging relative to its geographical size. While the merchants on Valencia Street would desire more foot traffic and patronage, they also see an economic advantage to the current low-intensity commercial activity on the street. As a retail merchant says:

"We would like to see the area stay the same. Auto parts stores are not the most desirable neighbors, but at least they help keep the rent down. While it would be nice to have a lot of small 'trendy' shops on the street, this would make rents much higher."

## ASSESSMENT

The above analysis of the Valencia Street Neighborhood Commercial District supports the following conclusions:

- No significant economic impacts attributable to differences between existing and proposed zoning controls are expected in the Valencia Street district.
- Estimated differences between the existing and proposed zoning in potential developable space tend to be insignificant in relation to the total amount of existing building space in the district.



- Economic demand in the Valencia Street district appears too limited in relation to its geographical size to expect a rate and volume of commercial development that would make zoning a critical factor in influencing the scale and course of this development.
- Field interviews and observations support the finding that potential economic impacts under the proposed zoning for Valencia Street would be of limited significance.

## 24TH STREET-MISSION NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Twenty-Fourth Street-Mission is a diverse mixed-use commercial district serving both neighborhood and citywide markets. It provides convenience goods for immediately surrounding neighborhoods, primarily those of the Inner Mission District. Also, as part of a major center for the Latin American population in San Francisco, it provides comparison shopping goods and services to a larger citywide and regional market. Facilities serving this larger market include a movie theater, restaurants, grocery stores, and bakeries. Most of the district's commercial businesses are open during the day while its bars and restaurants are also active during evening and night hours. Many dwelling units are located above ground-story commercial uses.

The overall economic viability of the 24th Street-Mission district has been affected during recent years by a rapid increase in the number of eating and drinking establishments, particularly bars, restaurants, and liquor stores. Between 1979 and 1984, the number of bars increased by 50% from 6 to 9. The 38 eating and drinking establishments that exist in the area occupy close to one-fourth of all commercial frontage, and may contribute to problems of noise, traffic, litter, and late-night street activity.

### OBSERVATIONS ON CURRENT TRENDS

Four interviews were conducted in the 24th Street-Mission neighborhood commercial district. Interviewees include 2 merchants, 1 business association leader, and 1 realtor. Their observations cover the following topics: change on 24th Street-Mission Street, rent levels, and zoning controls.

#### Change on 24th Street-Mission

##### Merchant

A merchant who has operated a restaurant in the 24th Street-Mission Street district for close to 10 years says of change on the street:

"Well ... some of the changes have been for the better. You see, the consensus I hear ... from realtors ... is that some big investors, some big chains, want to come into the Mission. But there is also downgrading. To give you an example, Union Bank ... it had been here a long time ... it left and this other outfit bought the building. At first they sold good items, then they began to sell cheaper and cheaper items ... trinkets which you know attract a certain clientele. Yet I hear that the Mission is a very lucrative market. So its upgrading and downgrading."

"One of the main problems I've seen in the Mission is the lack of posturing by the landlords to keep up their properties. Many of the landlords are absentee. They have not been able to attract decent tenants because they have not been willing to upgrade."

"Well, I've always been a champion of free enterprise ... my whole lifetime. But I walk all the streets ... down Mission ... down Valencia ... and I look at all the restaurants. Competition is good, but things can reach a point of saturation ... too much of a good thing ... and then someone gets hurt."

"Yet I have a lot of faith in the Mission ... and I think in spite of itself, it is improving. It will take time. However, on the overall, it is improving."

#### **Merchant**

A merchant who operated a retail business that had been in the district for over 45 years before having to relocate because of a 300% increase in rent says the main change he has observed is "more ... you know ... quote 'junk shops' ... you know, with a large sidewalk display ... sort of like a flea market."

#### **Business Association Leader**

The business association leader says:

"I haven't been here for 5 years ... but I'll tell you what I hear from people who have been around here a long time. There's a change in the ratio of businesses toward an influx of Asian businesses. I think that's the only change that is visible."

#### **Realtor**

The realtor says:

"There is no vitality in the Mission, put it that way. Take the Castro which caters to a specific clientele. Most of its businesses are open 7 days a week until late at night. In the Mission, all the stores used to be open until 7:00 p.m. at least two nights a week. Now except for a couple of stores everything is closed down after five."

#### **Rent Levels**

##### **Merchant**

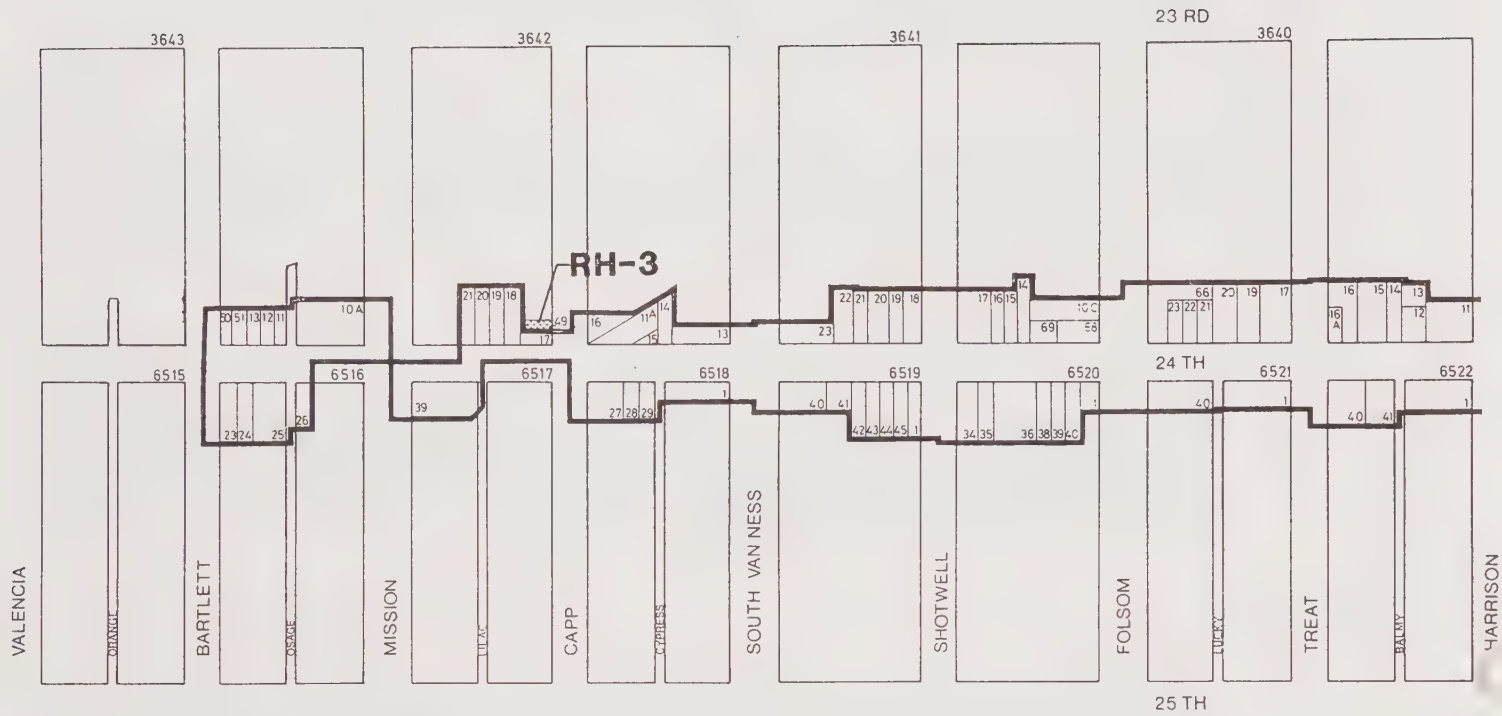
A merchant who owns the building in which she operates a restaurant says:

"I think the going rate around here is \$1.50 a square foot. Now you're going to find some people going bananas ... tripling the rent. Like the place down the street that tripled the rent. They just did that to get the existing tenants out so they could move in. Do you really call that a rent increase? Now we also own four stores across the street ... the ones with the same green awnings. As a landlord we've just done the regular cost of living thing."

##### **Merchant**

The retailer that was forced to leave the district after 45 years because of escalating rents says:





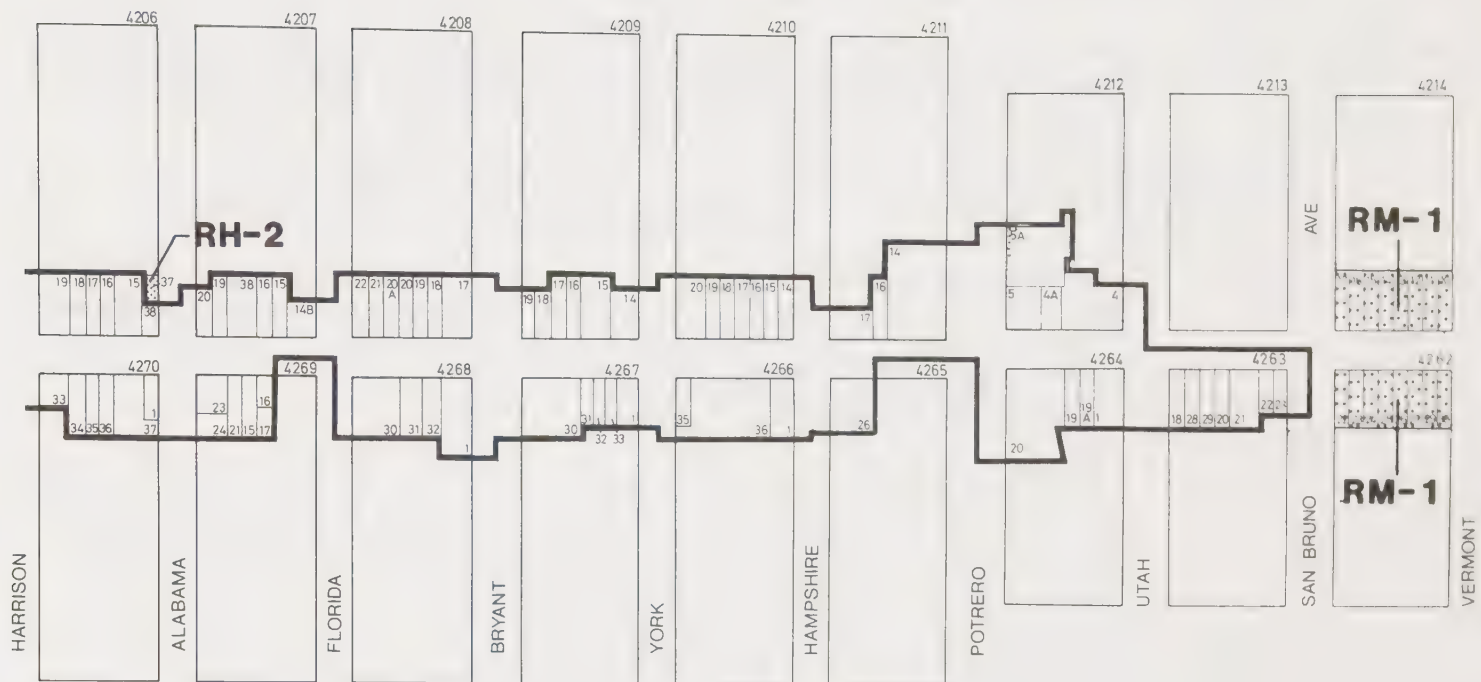
## 24TH-MISSION PROPOSED ZONING

Map 21

- NCD BOUNDARY
- ▨ DELETIONS
- ⋯ NON COMMERCIAL CHANGES

EXISTING ZONING is C-2





"We moved because the landlord wanted to increase our rent from \$1,000 to \$3,000 a month for 1200 square feet. He wouldn't negotiate and I couldn't stay in business with that kind of rent. The kind of business I do couldn't afford that kind of rent."

He says the landlord was a new owner who bought the building about a year before his lease was up. He is asked whether the landlord raised the rent to force him out so he could bring another business in. He responds:

"No. He wasn't trying to force me out. He just thought the place could rent for three times the rent I had been paying. It stayed vacant for a long time ... some 5 months. Now it's a gift shop."

#### **Realtor**

The realtor says of average rent levels in the 24th Street-Mission District:

"It'll vary from \$0.65 to \$1.75 a square foot depending on location and the time. Some people have 20 year leases at an advantageous rate. In short term leases, rents are about \$1.25 to \$1.50 a square foot. Some people in the Mission are asking \$3.50 a square foot, but they aren't getting it."

"Basically you buy property on the basis of what the return of income will be. If it is not getting the return, you have to put the rent up. At the rate property is selling for today, this means higher and higher rents. But the Mission has not gone up as high as North Beach, South of Market, or even the Sunset."

#### **Zoning Controls**

##### **Merchant**

The restaurateur has mixed feeling about the proposed zoning controls:

"Some I like and some I don't. I look at it the way I look at the Embarcadero Freeway. People didn't like it when it went up, but after it was up, they didn't want to reconvert to the past. You know, I grew up in San Francisco ... was born and raised here. I saw ... I knew the neighborhoods when they were real small. I like that, but I don't know whether we can reconvert back."

##### **Business Association Leader**

The business association leader says he is a strong supporter of the proposed zoning controls, but he does have some problems with the Conditional Use provisions. To him, the legal criteria for enforcing a plan should be tight enough to eliminate any loopholes. In this regard, he thinks the criteria for Conditional Use permits have too many loopholes and are therefore susceptible to manipulation by developers.

##### **Realtor**

The realtor thinks the "multitude of complex regulations" governing the development process in San Francisco tends to exclude the small business merchant and developer and favor the big developer. He says:



"For an individual to understand the multiplicity of requirements that the City has put in place is beyond the comprehension of the average property owner, merchant, developer, what have you. Only the big developers can deal with these requirements. You need paid staff to get through these requirements. Only the big developers can afford such staff. The average individual really is not that much involved in City Planning."

He points to the stacks and stacks of documents and written materials, along the entire side wall of his office and says:

"You see all those studies. Over a third of them come from City Planning. I've kept them over the years ... As soon as they are done, they become obsolete."

### DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the 24th Street-Mission District is C-2. The proposed controls, shown on Table 41, are specifically designed for and unique to the 24th Street-Mission Street District.

#### Restrictions on Height Limits and Floor Area Ratio

Height Limit requirements are the same under both the existing and proposed zonings for 24th Street-Mission. Floor Area Ratio requirements, however, are more restrictive under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 1.75 to 1.

#### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. Conditional Use authorization is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. The existing zoning has no such restrictions. The proposed zoning is more restrictive in rear yard requirements. It requires rear yard setbacks at the second story above and at all residential levels, while the existing zoning requires rear yard setbacks at residential levels only.

#### Restrictions on Type of Use and Use by Story

The proposed zoning for 24th Street-Mission District is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, small and large fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principal Use on all floors under C-2 zoning are either prohibited or restricted to the ground story by Conditional Use under the proposed zoning. Financial service institutions under the proposed zoning are permitted by right on the ground

TABLE 41

SEC. 727.  
24TH STREET-MISSION NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 727. 24th Street-Mission
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X, 50-X, 105-E See Zoning Map
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at the second story and above and at all residential levels § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
<b>COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES</b>			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.75 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	P
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	§ 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1-10, 609	P § 607.1(c)(d)(g)

			Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P		
.39	Residential Demolition	§ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P		
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92	C		
.43	Small Fast Food Restaurant	§ 790.90	C		
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	P		
.50	Limited Financial Service	§ 790.112	P		
.51	Medical Service	§ 790.114	P	C	
.52	Personal Service	§ 790.116	P	C	
.53	Business or Professional Service	§ 790.108	P	C	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C

			SEC. 727. 24th Street-Mission Controls by Story		
No.	Zoning Category	§ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15	C		
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P		
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

story, require Conditional Use authorization on the second story, and are prohibited at the third story and above. The only second story non-residential uses that are allowed under the proposed zoning are institutional and public uses, and parking facilities through Conditional Use authorization, provided that they do not displace existing housing units and meet height limit, floor area ratio and other requirements.

### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Housing demolitions require Conditional Use authorization on all stories. Housing conversion is permitted by right on the ground floor and prohibited on all other stories. No such restrictions exist under the C-2 zoning. At the same time, the proposed controls are less restrictive in housing density standards allowing generally 1 unit per 600 square feet of the lot, while the C-2 zoning allows generally 1 unit per 800 square feet.

### Other Requirements

The proposed zoning has some restrictions which do not exist under the current zoning. There include controls to commercial hours of operation, commercial walk-up facilities, and street frontage design.

### Physical Development Estimates

Table 42 indicates that the differences between the existing and proposed zoning for the 24th Street-Mission district would result in only slight differences in the volume of potential development. The total volume of new commercial development estimated under the proposed zoning is only 3600 square feet less than that estimated under the existing zoning. The primary trend suggested by these estimates is less potential office development under the proposed zoning. The proposed zoning is estimated to provide only two thirds the amount of office space provided under the existing zoning. Residential growth is modest under both zonings.

## ASSESSMENT OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Estimates

The primary restriction of the proposed zoning is its prohibition of new bars and large fast-food outlets at all floor levels and its requirement of Conditional Use authorization for new restaurants and take-out food places. These restrictions may increase the rent for these types of businesses. However, this cost should be weighed against the consideration that the 24th/Mission area already has an abundance, perhaps an oversupply, of bars and restaurants. The bars in particular have been associated with loitering and crime, which has adversely affected adjacent businesses. By curtailing growth in eating and drinking establishments, the proposed controls may help to relieve excess competition in the district. By prohibiting new bars, the controls may help to stop the spread of uses which are perceived to be one source of crime and loitering on the district.



TABLE 42  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, 24TH STREET–MISSION NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	71,200	174,200	21,200	264,600	63,600	38,100	366,300	343,100 (337)	709,400
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+4,600	+13,900	+9,900	+28,400	-8,900	-11,400	+8,100	+5,200 (+6)	+13,300
Conversions of Use	+3,700	+11,000	0	+14,600	-14,600	0	0	0 (0)	0
<b>Total Change</b>	<b>+8,300</b>	<b>+24,800</b>	<b>+9,900</b>	<b>+43,000</b>	<b>-23,500</b>	<b>-11,400</b>	<b>+8,100</b>	<b>+5,200 (+6)</b>	<b>+13,300</b>
Potential Land Use	79,500	199,000	31,100	307,600	40,100	26,700	374,400	348,300 (343)	722,700
% Change–Land Use	+12%	+14%	+47%	+16%	-37%	-30%	+2%	+2% +2%	+2%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+4,500	+13,400	+6,900	+24,800	-8,900	-11,400	+4,500	+3,500 (+4)	+8,000
Conversions of Use	+3,600	+10,900	0	+14,600	-14,600	0	0	0 (0)	0
<b>Total Change</b>	<b>+8,100</b>	<b>+24,300</b>	<b>+6,900</b>	<b>+39,400</b>	<b>-23,500</b>	<b>-11,400</b>	<b>+4,500</b>	<b>+3,500 (+4)</b>	<b>+8,000</b>
Potential Land Use	79,300	198,500	28,100	304,000	40,100	26,700	370,800	346,600 (341)	717,400
% Change–Land Use	+11%	+14%	+33%	+15%	-37%	-30%	+1%	+1% +1%	+1%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

The proposed controls require Conditional Use authorization for office uses at the second story and prohibit such uses at the third story and above. Because conversion of existing housing units at the second story and above is prohibited, office development would only be possible through demolition and new construction. This limits the amount of office growth that can occur under the proposed controls. Because the 24th Street-Mission Street district does not appear to have strong demand for office activity, the potential growth permitted under the proposed zoning should be adequate for accommodating future needs in the area.

### Economic Implications of Community Observations

One question raised by field interviews is whether economic demand in the primary market area served by 24th Street in the Mission can support significant increases in commercial activity. The 24th Street-Mission commercial area tends to show more economic vitality than other portions of the Mission, but nonetheless is affected by the same limited demand which is apparent in the rest of the Mission. Its surrounding residential areas do not have the higher income residents that have supported commercial growth in such neighborhood commercial districts as the Haight and Upper Fillmore.

Addressing problems of insufficient demand requires long-term measures to increase employment opportunities and income in the residential neighborhoods surrounding Mission Street. There is also a need to increase patronage of businesses located in the Mission Street area. The concerns about retailing expressed by interviewees primarily deal with the limited quality and variety of the existing merchandise. Upon closer questioning, most interviewees in the district think there should be an effort to attract one or two large department stores, such as a Sears or Montgomery Ward, which would serve as anchors for the small retail shops that exist on the street. By offering a wider variety of merchandise at reasonable prices, such stores could bring more shoppers into the area, from both inside and beyond the surrounding residential neighborhoods and thereby provide the stimulus needed to improve the overall economic climate along Mission Street. However, the one such major retailer that was located at Mission and Army Streets closed a number of years ago. Real estate and retail business professionals agree that large department stores prefer suburban shopping mall locations and are not likely to locate on a commercial strip in an inner city area.

### ASSESSMENT

The above analysis of the 24th Street-Mission Neighborhood Commercial District supports the following conclusions:

- The proposed controls are not likely to have adverse economic impact on the 24th Street-Mission commercial district and may be conducive to improving the overall economic vitality of the district.
- The restrictions that the controls place on eating and drinking places, particularly the prohibition on new bars and fast food outlets, could exert some inflationary pressure on rents for these types of businesses.

but the extent of such pressure is likely to be marginal and offset by the benefits that the restrictions could produce by relieving possible over-competition among existing eating and drinking uses and by helping to stop the spread of social problems, such as loitering and crime, which are perceived to be associated with certain of these uses.

- The proposed controls should be able to accommodate future office growth without significant inflationary pressure because the demands for offices in the district does not appear strong in relation to the potential amount that could become available.



## 24TH STREET-NOE VALLEY NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

The 24th Street-Noe Valley neighborhood commercial district is situated east of Twin Peaks, south of Eureka Valley, west of the Mission district, and northeast of Diamond Heights. Nestled in a narrow valley, 24th Street extends from Diamond Street on the west to Chattanooga Street on the east, including a section of Castro Street south to Jersey Street. The most prevalent building types are two- and three-story structures, accounting for over eighty percent of the total number of buildings in the district. With an average lot size of 25 feet by 114 feet, almost a third of the lots have no rear yard, while over sixty percent leave some open space corridors between the 24th Street commercial lots and the abutting residential lots. A 1982 Department of City Planning survey showed one developable vacant lot and 22 single-story structures, a few of which potentially could be redeveloped into larger commercial or mixed-use buildings. In addition, two existing lots containing automotive uses, and other underutilized lots, could be redeveloped into mixed-use buildings.

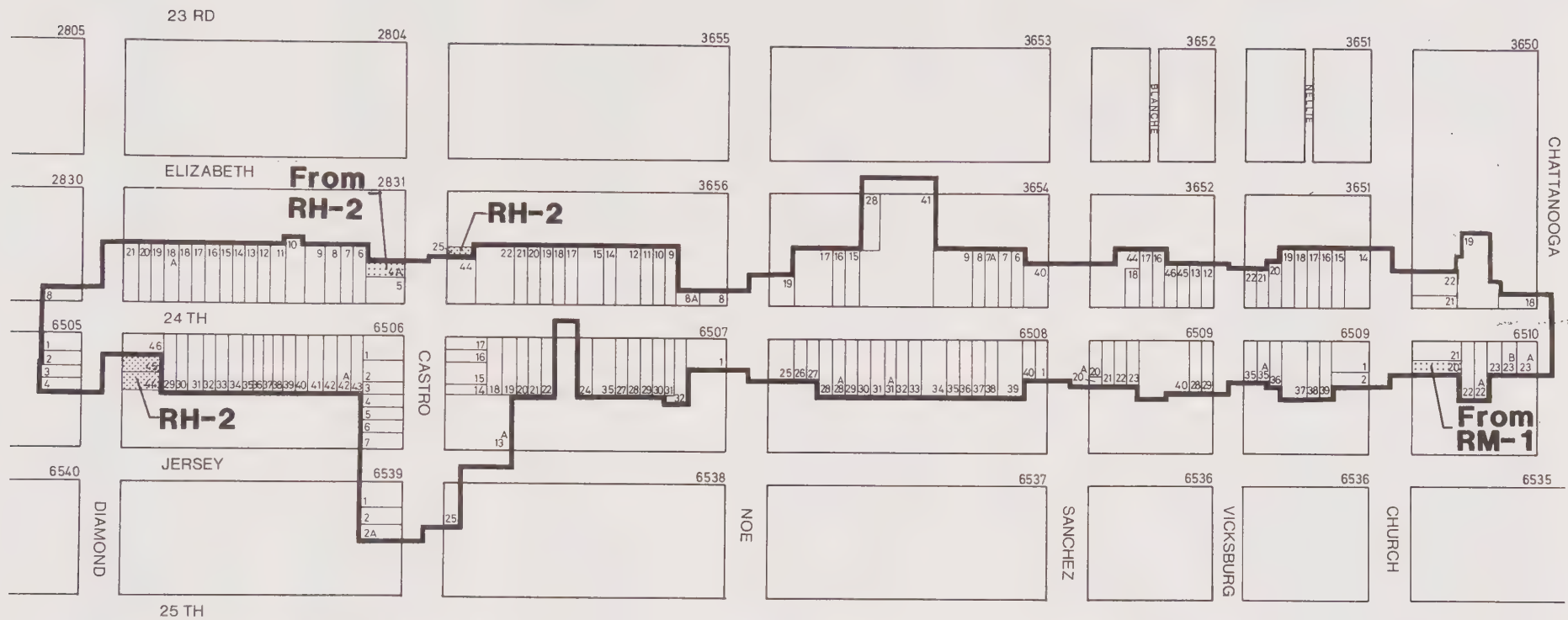
The 24th Street-Noe Valley district has a daytime-oriented, multi-purpose commercial economy providing a mix of convenience and comparison shopping foods and services to a predominantly local market area. Retail sales and personal services tend to be concentrated at the street level, some office uses on the second story, and residential uses almost exclusively on the third and above. While retaining its neighborhood orientation, the district is increasingly frequented by visitors from outside the area. As a result, it has experienced rapid commercial growth as new business opportunities have been created.

The most apparent growth has been in eating and drinking establishments, boutiques, and specialty shops. Eating and drinking establishments account for about one-fourth of the district's commercial frontage. Since 1979, the number of these establishments has increased by about 20%, and the number of financial, medical, and other business offices have increased by approximately 30%.

The 24th Street-Noe Valley district contains many affordable residential units, located above ground-story commercial uses or in purely residential buildings, which are integral to its strong mixed-use character. About 30% of its ground floor frontage is residential. Some units have been converted to commercial use, but about 390 housing units still remain. Almost 90% of these are in the upper story locations.

### OBSERVATION ON CURRENT TRENDS

Three interviews were conducted in the 24th Street-Noe Valley commercial district. Interviewees include 2 merchants and 1 commercial property owner. Their observations cover the following topics: change in the 24th Street-Noe Valley area, housing, rent levels, and zoning controls.



## 24TH-NOE VALLEY PROPOSED ZONING

Map 22

- NCD BOUNDARY
- ADDITIONS
- DELETIONS

Except as noted, EXISTING ZONING is RC-1



## Change In 24th Street-Noe Valley Area

### Merchant

A merchant who has operated a health service in Noe Valley since 1959 says of change in the district:

"Well ... right now ... it's phasing in and out. It seems like the business is moving in and out. High turnover. But they are still coming in. Like the beauty supply shop ... they closed ... then it became a boutique. Like across the street ... the Western clothing store ... they came in last year ... now they are moving out. But it's like Noe Valley ... it's kind of conservative. Here the family is close ... so any kind of wild business won't make it. Now we're losing our dime store. He's retiring. I hate to see that. And the Post Office is taking over the place."

### Merchant

A merchant who has operated a clothing store in Noe Valley since 1977 explains why she opened her store there.

"I started a new business here in 1977. Let's see ... I picked this business because I had been living on this street already. I had been living in the district since 1972. So I conceived of it as a business for this street. Also at the time there were only two clothing stores in the neighborhood ... and so I thought I could provide something different from the two existing ones. The neighborhood was ripe for a new clothing store at that time. Now there are nine. I don't know if I would locate here now. But of course everybody has a right to succeed or fail in business, and I think that's fine."

She also comments on the market served by her store.

"I don't think we get that many tourists. Most tourists are people visiting people who already live here. I think about 75% are from the neighborhood. But people in the Bay Area are very mobile. I get some from all over the Bay Area. (Nonetheless) people in the area are our main customers. They like to shop here ... in their own neighborhood."

In addition, she describes the changes in commercial activity she has observed on the street over the years.

"I am just sort of thinking out loud a bit. We don't have any new bars or restaurants because that's prohibited ... I think it's been prohibited for at least 5 years. I think there are more hair salons ... I think that's part of a general trend. I think we have less realtors because real estate has been going down ... although it's picking up again ... because a new one just opened down the street."

"Some of the old stores have gone out of business ... like the Dime Store. I think the reason they have gone out is changing times. The guy who owned the Dime Store went out not because of rent increases because he owned his own building. People just don't patronize dime



stores any more. They would rather go to a discount store or specialty shop. That kind of business is no longer profitable. Everyone here felt real sad about it, but he just couldn't compete with the specialty shops ... he just couldn't survive."

"I think we still have a lot of service stores. I can buy pretty much what I need on the street. The shoe repairman is doing quite well. Those who went out were often old people who were just going to retire ... like Elsie, the lady who had the card shop ... she was 65 years old and just decided to retire."

## **Housing**

### **Merchant**

A merchant who owns the mixed commercial/residential building where her business is located says:

"I have always had stable tenants. They are people who like to live on the street as long as it's a pleasant environment. This neighborhood still has that balance. People still like to live in it. That's what's nice about this street. My partner would probably disagree. He would want to have the option to do what he wants to do without government interference. I like both ... There's an elderly lady who has lived behind my store for 35 years. The street does not bother her. She's ecstatic about it."

### **Commercial Property Owner**

A commercial property owner comments on rents for her upper story housing units:

"My rents in this building are very low. I only rent my units for \$500 each. For this area it would be at least \$700. But I have good tenants."

## **Rent Levels**

### **Merchant**

A merchant says she pays rent of \$1300 a month for 640 square feet.

### **Commercial Property Owner**

A commercial property owner comments on complaints about commercial rent increases in Noe Valley.

"Business people complain about it. It has been low. When lease agreement is up, it has to be adjusted."

## **Zoning Controls**

### **Merchant**

A merchant reflects on the value and effectiveness of the proposed zoning controls.

"It's such a big question. I basically think that it's good to preserve the character of a neighborhood ... I'm definitely ... one hundred percent ... for keeping the neighborhood balanced and keeping our character. I'm just sort of trying to think what it would be like ... well ... I guess I have mixed feelings. I think it's good to restrict restaurants and bars. If you can't open up a new restaurant, you can buy an existing one, but it pushes the value of the existing restaurant way up. So it'll probably cost a lot to open up a new business."

"I just don't like too much restriction. I would like the opportunity to at least have a hearing rather than to just have someone say no, you can't do it. If a person can prove that something is valuable to the community, he should have the opportunity to do so. Things should be conditional instead of absolute."

**Commercial Property Owner**  
The commercial property owner says:

"This upper story control ... if it is open to office on the second floor and the business moves out ... then the resident will come back. At least the owner will have the freedom to get whatever tenant he can. It would work both ways. The way it is now, if nobody will live there, you will have your place empty."

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the 24th Street-Noe Valley district is RC-1. The proposed controls, shown on Table 43, are specifically designed for and unique to the 24th Street-Noe Valley District.

### Restrictions on Height Limits and Floor Area Ratios

Height Limit requirements are the same under both the existing and proposed zonings for 24th Street-Noe Valley. Floor Area Ratio requirements, however, are more restrictive under the proposed zoning. The maximum Floor Area Ratio permitted under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 1.5 to 1.

### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. Under the proposed zoning Conditional Use permission is required for all development on lots of 5000 square feet or more and for all non-residential development with a use size of 2500 square feet or more. No such requirements exist under the RC-1 zoning. Rear-yard requirements are the same under both zonings. Both require rear yard setbacks at grade level and above.

TABLE 43

SEC. 728.  
24TH STREET-NOE VALLEY NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

			SEC. 728.
			24th Street-Noe Valley
No.	Zoning Category	\$ References	Controls
BUILDING STANDARDS			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	40-X
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at grade level and above § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143
COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES			
.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.5 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m. C: 2 a.m. - 6 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1, 608.2	P § 607.1(c)(d)(g)

SEC. 728.  
24th Street-Noe Valley  
Controls by Story

No.	Zoning Category	\$ References	1st	2nd	3rd +
.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17			
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P	C	
.66	Storage	§ 790.117			

## Institutions and Non-Retail Sales and Services

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	P	C	C
.82	Public Use	§ 790.80	C	C	C

## RESIDENTIAL STANDARDS AND USES

.90	Residential Use	§ 790.88	P	P	P
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 600 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 210 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 80 sq.ft. if private, or 100 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	C

		\$ 790.118	Controls by Story		
			1st	2nd	3rd +
.38	Residential Conversion	§ 790.84	P		
.39	Residential Demolition	§ 790.86	C	C	C

## Retail Sales and Services

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	C	
.41	Bar	§ 790.22			
.42	Full-Service Restaurant	§ 790.92			
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122			
.46	Movie Theater	§ 790.64	P		
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38	C		
.49	Financial Service	§ 790.110	C		
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	P	C	
.52	Personal Service	§ 790.116	P	C	
.53	Business or Professional Service	§ 790.108	P	C	
.54	Massage Establishment	§ 790.60 § 2700 Police Code	C		
.55	Tourist Hotel	§ 790.46	C	C	
.56	Automobile Parking	§§ 790.8, 156, 160	C	C	C



## Restrictions on Type of Use and Use by Story

The proposed zoning for 24th Street Noe Valley is more restrictive than the existing RC-1 zoning in types of use and use by story. New bars, full-service restaurants, fast food restaurants, take-out food outlets, and adult entertainment, which are permitted by right as a Principal Use on the ground story and by Conditional Use permission on upper stories under RC-1 zoning are prohibited under the proposed zoning. Financial service institutions under the proposed zoning require Conditional Use permission at the ground story and are prohibited at the second story and above. The only major commercial uses permitted on the second story are general retail and offices which require Conditional Use authorization provided that conversion of existing housing has been approved by the Planning Commission and floor area ratio and other requirements are met. Non-residential uses above the third story are generally prohibited under the proposed zoning except for parking, institutions, and public uses.

## Differences in Housing Controls

The proposed controls are also more restrictive on housing demolitions and conversions. It requires Conditional Use permission for housing demolition on all floors. Housing conversions are permitted by right at the ground floor and prohibited at the second story and above. No such restrictions exist under the RC-1 zoning. At the same time, the proposed controls are less restrictive in housing density standards, allowing 1 unit per 600 square feet of lot, while the RC-1 zoning allows 1 unit per 800 square feet.

## Other Requirements

The proposed zoning has some restrictions which do not exist under the current zoning. These include controls on commercial hours of operation, commercial walk-up facilities, and street frontage design.

## Physical Development Estimates

Table 44 shows the differences in physical development that could result from the differences between the existing and proposed zoning for 24th Street-Noe Valley district. The estimates suggest relatively slight differences between the existing and proposed zonings in rates of physical development. Over a ten-year period, assuming sufficient economic demand, the proposed controls could provide up to 80% of the amount of growth in commercial space provided under the existing zoning. Essentially the proposed zoning provides less new office and eating and drinking space and slightly more retail space than the proposed zoning. There would be no growth in eating and drinking space under the proposed controls, while 5300 square feet in such space is estimated under the existing zoning. The proposed zoning also could encourage development of 7 new housing units, while under the existing zoning 3 units could be lost.

TABLE 44  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, 24TH STREET-NOE VALLEY NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	44,600	146,400	34,600	225,500	52,100	8,500	286,100	375,500 (363)	661,600
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+2,500	+10,100	+2,100	+14,700	-21,700	-2,100	-9,100	+16,400 (+13)	+7,300
Conversions of Use	+2,700	+10,900	+1,400	+15,100	-1,300	0	+13,800	-13,900 (-16)	-100
<b>Total Change</b>	<b>+5,300</b>	<b>+21,000</b>	<b>+3,500</b>	<b>+29,800</b>	<b>-23,000</b>	<b>-2,100</b>	<b>+4,700</b>	<b>+2,500 (-3)</b>	<b>+7,200</b>
Potential Land Use	49,900	167,400	38,100	255,300	29,100	6,400	290,800	378,000 (360)	668,800
% Change-Land Use	+12%	+14%	+10%	+13%	-44%	-25%	+2%	+1% -1%	+1%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	0	+11,100	+2,100	+13,200	-21,700	-2,100	-10,600	+24,700 (+18)	+14,100
Conversions of Use	0	+12,200	-700	+11,500	-1,300	0	+10,200	-9,700 (-11)	+500
<b>Total Change</b>	<b>0</b>	<b>+23,300</b>	<b>+1,400</b>	<b>+24,700</b>	<b>-23,000</b>	<b>-2,100</b>	<b>-400</b>	<b>+15,000 (+7)</b>	<b>+14,600</b>
Potential Land Use	44,600	169,700	36,000	250,200	29,100	6,400	285,700	390,500 (370)	676,200
% Change-Land Use	0 %	+16%	+4 %	+11%	-44%	-25%	0%	+4% +2%	+2%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.



## ASSESSMENT OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Projections

Assuming that economic demand in the Noe Valley commercial area remains constant, and assuming it continues to build upon its neighborhood and citywide patronage, the physical development estimates show that under either the existing or proposed zonings Noe Valley ten years from now would be similar to what it is today. Commercial activity would be a little greater and weighted more toward eating and drinking and office activity under the existing controls. Under the proposed controls, however, the mix would be weighted more toward retail activity and upper story housing over commercial. Because the proposed zoning prohibits growth in new eating and drinking activity, Noe Valley would have approximately the same number of bars and restaurants as it has today. The restrictions on growth resulting from the proposed zoning could cause rents for eating and drinking space to increase. Many in the community fear that higher rents would generate turnover in existing space and might lead to more expensive restaurants replacing some of the cheaper cafes and coffee shops currently located on the street. However, if this were to occur it would be due not to the proposed zoning controls but to an increase in the incomes of the local residents and a substantial expansion of the market area served by this district.

The controls also would halt the conversion of upper-story housing to office space. However, the potential demand for office space appears to be quite limited, so the restriction should have little effect on office rents. Other than these changes, the proposed zoning is not likely to have any other direct or indirect economic impacts. In summary, the proposed controls would help Twenty-Fourth Street-Noe Valley retain its vibrancy and intensity as a popular neighborhood shopping area.

### Economic Implications of Community Observations

Interview and field observations support this assessment. It is evident from the field data that the Noe Valley commercial area has undergone significant demographic and economic change over the past ten years. As younger, professionals have moved into the surrounding residential neighborhoods, the commercial strip along 24th Street has changed from a lower-intensity shopping area to a higher-intensity one. With the stimulus provided by this demographic change, many small specialty retail shops have flourished. This change in the character of retail stores has helped the district expand its market area beyond the immediate neighborhood.

These demographic and economic changes also have brought other unwelcome changes. There are complaints of escalating rents among merchants; but given apparent increases in demand and hence greater potential business volume, one would expect rents to increase. However, these complaints tend to be less common in the Noe Valley commercial district than in others. Average rents on the street are still relatively reasonable compared to other districts.



Interviews and field observations suggest that the potential economic impact of the zoning will be nowhere near as great as the physical development estimates suggest. The most significant impact represented by the estimates is no growth in eating and drinking activity because of the prohibition on new space for such activity under the proposed controls. It is believed that this prohibition could spur a trend toward more expensive and exclusive restaurants in Noe Valley, as the rental cost of restaurant space increases. What emerges from field observations is that the economic demand occurring in Noe Valley is skewed toward retail activity rather than eating and drinking activity. According to a merchant who operates a women's clothing store, there were only two clothing stores on the street when she opened in 1972; now there are nine. Similar rates of increase have not occurred in eating and drinking places. This trend toward retail activity is consistent with Noe Valley's increased popularity as a daytime shopping area and not as a nighttime entertainment area. A trend toward more expensive and exclusive restaurants is therefore not likely to occur.

## ASSESSMENT

The above analysis of the 24th Street-Noe Valley Neighborhood Commercial District supports the following conclusions:

- The proposed zoning relative to the existing zoning is likely to have little adverse economic impact on the 24th Street-Noe Valley neighborhood commercial district.
- The most significant economic impact that can be attributed to the proposed zoning is its prohibition on new eating and drinking space and of upper story office conversion which would have a tendency to increase slightly the value and rent levels for such space.
- However, field interviews and observations suggest even this potential economic impact may not be as strong as physical development estimates suggest due to limited economic demand for eating and drinking activity relative to that for retail activity.

## WEST PORTAL AVENUE NEIGHBORHOOD COMMERCIAL DISTRICT

### NEIGHBORHOOD AND MARKET CHARACTERISTICS

Located in the southwestern part of the city, the West Portal Avenue neighborhood commercial district stretches for three long blocks along West Portal Avenue from Ulloa Street to 15th Avenue and extends one block east along Ulloa Street from the Twin Peaks Tunnel entrance to Claremont Boulevard. West Portal Avenue provides a selection of goods and services for customers coming mainly from the surrounding single-family residential neighborhoods West of Twin Peaks and Sunset.

West Portal Avenue is a relatively small-scale district. Over one-half of its buildings are one-story, and less than one-fifth are three or more stories. Lot sizes are typically 2500 or 5000 square feet, and over 80% of the uses are less than 2500 square feet. The lively, small-scale retail frontage is interrupted at several locations by large-scale financial institutions which take up a large amount of commercial ground-story frontage. About three-eighths of the commercial establishments are medical, professional, and business offices, many of which are located at the ground level. Except for one three-movie theater complex, West Portal offers no entertainment uses and its restaurants are mainly family-oriented. It also contains about 95 dwelling units, almost all of which are located on upper floors.

### OBSERVATIONS ON CURRENT TRENDS

Three interviews were conducted in the West Portal Avenue neighborhood commercial district. Interviewees include 2 merchants and 1 realtor. Their observations cover the following topics: change on West Portal Avenue, market area, rent levels, and zoning controls.

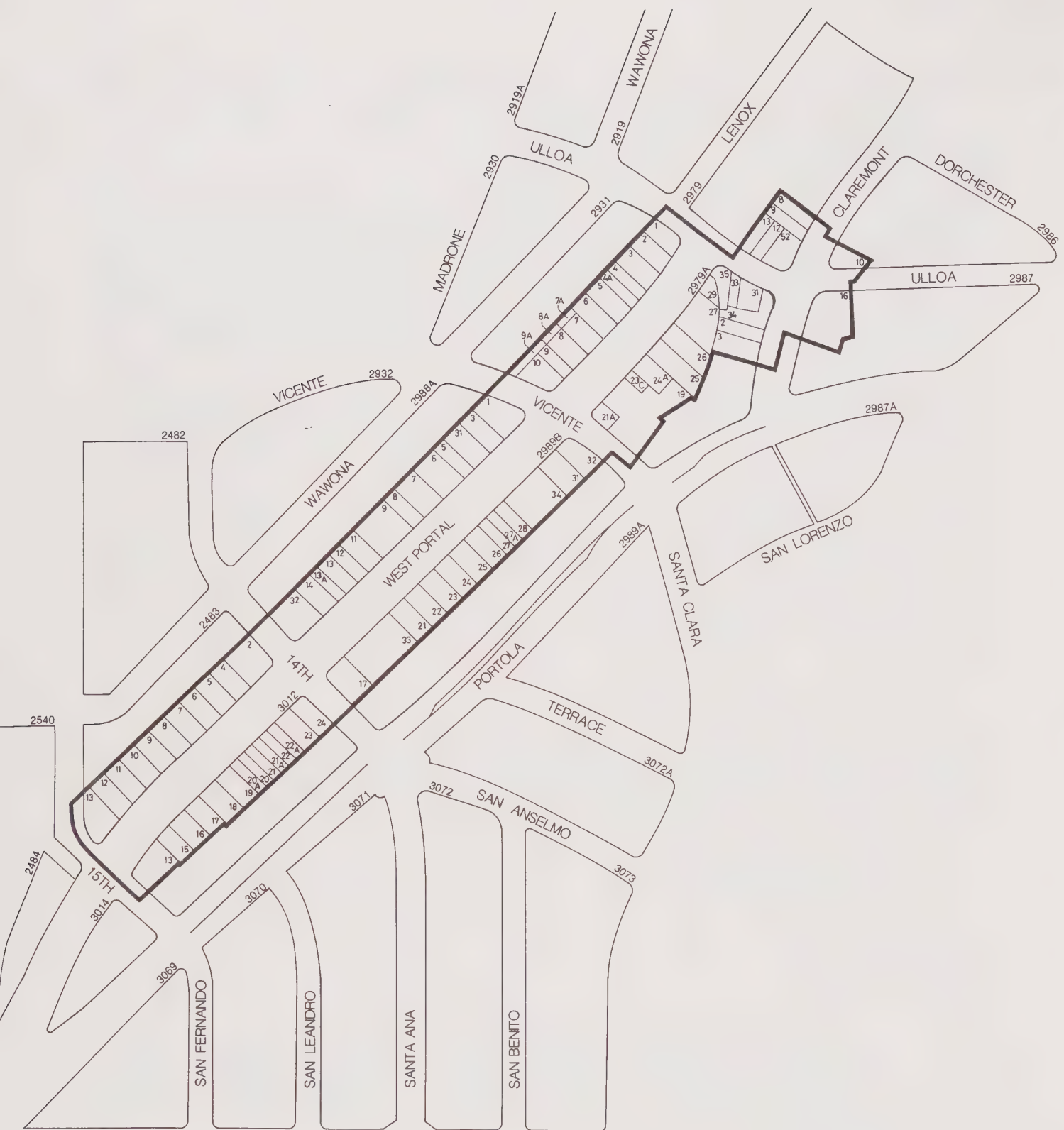
#### Change On West Portal Avenue

##### Merchant

A merchant who has operated a retail outlet on West Portal Avenue for 15 years says:

"I think the greatest change is these chain stores that started coming in ... who can afford more rent. The neighborhood doesn't like it. We want to keep it balanced. We always had chain stores ... like Woolworths ... but one or two is enough. We want to keep it balanced."

"Every time you have change, you have to adjust. I used to know everyone ... now more strangers ... more strangers to deal with. More foot traffic means more strangers ... so that's O.K.. I think the neighborhood is becoming more sophisticated. So I have to improve merchandising ... you know, innovation."



## WEST PORTAL PROPOSED ZONING

— NCD BOUNDARY  
— EXISTING ZONING is C-2

Map 23





### Merchant

A new merchant who opened a retail outlet on West Portal Avenue in 1984 says:

"I think you've still got the flavor of small business. They're not letting in more banks ... which I think is good. Waldenbooks ... Wine and Cheese ... have come in. I just hope it doesn't get to a point where they let the 'chains' in. We don't need a Walgreens. We already have 2 or 3 drug stores on the street. The family who operates a market near here would like to modernize, but they don't want to do it if they can't get another lease. Their market offers more personalized services. We shouldn't do away with these things. The independent merchant ... that's who we want to protect. The big chains are only concerned about competing with and outdoing each other. They don't care about the small merchant. Walgreens only wants to come here to try to take the market of the other drug stores on the street."

### Realtor

A realtor who has been on West Portal Avenue for over 13 years says West Portal Avenue is becoming "more desirable all the time."

"The inefficient operators have left. A liquor store operator down the street was inefficient. Waldenbooks bought him out."

"No vacancy factor here. If it is, it is very short. The guy is asking for too much. About 40 years ago Business Week wrote an article on West Portal ... said it was the best business street in the country. Parking was a problem way back then in 1945. It (West Portal) has everything."

"Supply and demand ... that's the only factor. Did you see the movie, Scarface? There is this quote in there: 'Never underestimate the greed of the other guy.' The tenant wants to get space as cheap as he can. The landlord wants to rent it out for as much as he can get. Supply and demand ... Take this building ... we are selling it for \$600,000. Eleven years ago we paid \$200,000 for it. Everything has changed in the last 15 years. We don't set prices, supply and demand does."

### Market Area

#### Merchant

The established merchant says of his market:

"I would say right now about 50/50 ... 50% local and 50% outside."

#### Merchant

The new merchant says:

"I don't know ... I get everyone. I get people from the East Bay ... Marin ... from the neighborhoods ... college students ... high school students ... professionals ... a little mix of everybody. Mostly the

neighborhoods, but I hate to say that because it is a little mix of everyone. My mailings have zip codes from everywhere. I have a media spot. I also advertise in the Christian Science Monitor."

She mentions that the Christian Science Church has a 12-acre retreat -- Arden Wood -- in the nearby vicinity. Many of her regular customers are people from various parts of the world who come to spend time and take courses at the retreat.

## Rent Levels

### Merchant

The established merchant comments on increases in rent for his store:

"My rent right now is \$1,800, but it is escalating every year ... \$1.60 a square foot now, next year \$1.70, third year \$1.80 ... and cost of living. It is a five year lease with no option at all. I pay utilities and all improvements. The landlord pays for nothing. Part of my problem is paying for the improvements."

"You know, for a small merchant to stay in business, the only way to survive is to own your own building because otherwise we'll be knocked out. I think the City should have an initiative to encourage small merchants to own their own property. We deserve better treatment over the 'big guys'."

He also comments on conditions affecting the expiration of leases.

"This is a very hot issue. It's like we are out of the ballpark. My landlord knew I could fight him this time, so he gave me no option on my lease. This is when he could hit me. Is there a way to protect the landlord from doing this? I know he wants to kick me out when the lease expires. This happened to a couple right here on this block."

He prefers publicly sanctioned guidelines on rent increases as an alternative to commercial rent control in order to protect the small merchant from excessive increases in rent.

"I think there needs to be a guideline which lets the landlord have a fair increase for his investment and at the same time lets the merchant stay in business. I don't like rent control. I think there should be a guideline to keep rents down. It should be illegal to triple rents for greed. If you increase your rent, you should have to justify it. This is a very important issue we have to address."

### Merchant

The new merchant who has 1275 square feet in floor area for her store says of her landlord:

"He just believes in three-year leases. I pay a 'triple net' lease. Whatever the taxes are, we pay it. The rent is \$2,749.75. It goes

up every year. He gives you a copy of his tax bill from the Controller. It is divided up four ways (with the other tenants in the building) and we pay it."

"We pay all utilities. All the improvements that were needed to bring my space up to code ... holes in the ceiling ... I paid for. Is the rent reasonable? At this point I consider it fair according to the market that people are getting all over the city. I think the 15 or 20 year leases that people got at \$1 a square foot are low for now. I do think there should be a limit on how much a landlord can increase his rent. If someone was paying \$500 a month rent, to raise the rent to \$2,000 is a big jump. Everything is relative. A lot depends on business conditions and on the potential volume that the location offers."

#### Realtor

The realtor interviewee says:

"Well ... I used to rent 59 West Portal at \$300 for 1,700 square feet, less than 20¢ per foot, thirteen years ago. Then it went up to \$750 eight years ago. Super Cuts came in a year later at \$1,500. Today the space rents for about \$2,000."

In regard to rent control, he says:

"I understand rent control for housing. Don't put the rent up until somebody moves. Then adjust it to the market. I think there is some merit to that. But for commercial, where there is supply and demand? Stonestown had 20 vacancies some time ago. No one was helping the landlord then. He had to carry those vacancies. To put rent control on commercial uses would be taking away property rights. We would lose our license if we didn't try to get the top price for our clients. Only the strong survive ... that's the American way. The 'mom and pop' stores ... they can't survive the big supermarkets. Housewives want as low a price as they can get for food. It may be lousy for the 'mom and pop' store, but that's the way our system works."

#### Zoning Controls

##### Merchant

The established merchant is aware of the proposed zoning controls and thinks they have been effective.

"Yes ... yes ... oh yes ... they have had effect. It is good restraint ... good restraint. It will restrain the 'big guys' from pushing the small guys around. The neighborhood supports it."

However, he has some problems with the restrictions on converting upper story space from housing to commercial because he thinks there is a shortage of commercial space on West Portal Avenue since the expansion of the MUNI station.

"If they could convert second story into commercial ... there would be more supply."



### Merchant

The new merchant says of the proposed zoning:

"It will prevent a lot of banks from coming in. When you're talking about somebody like me ... a mother ... children gone off to college ... I can't compete with big business. I think you've got to have a mix. People need the little shops ... butchers, dressers ... you need all these things to compose a neighborhood. You can't ... well, you shouldn't ... make just one type of institution prominent. Things have gotten so materialistic that you lose sight of being decent. You become callous. A real estate investor should get a fair return, but he shouldn't put a whole family out of business because of greed."

### Realtor

The realtor says of community attitudes regarding zoning control:

"I think people in the neighborhood are against increases in traffic ... pollution ... They are trying to hold back parking ... sort of anti-business. They don't want franchises because franchises are more efficient and bring in more business. They are trying to fight the tide. Fast foods are very efficient ... very successful. They sell coffee cheaper ... hire minorities ... give them a chance to make a start ... I guess I kind of go along with the franchises."

## DIFFERENCES BETWEEN EXISTING AND PROPOSED ZONING

Existing zoning for the West Portal Avenue District is C-2. The proposed controls, shown in Table 45, are specifically designed for and unique to the West Portal Avenue district. They are reflective of the existing physical scale and character of the district.

### Restrictions on Height Limit and Floor Area Ratios

The proposed controls are more restrictive than the existing control in Height Limit and Floor Area Ratio requirements. They lower the Height Limit from 40 feet to 26 feet to protect the two-story building scale in the area. The Floor Area Ratio under the existing zoning is 3.6 to 1. The proposed zoning reduces this ratio to 1.5 to 1.

### Other Restrictions on Scale of Development

The proposed controls are more restrictive in other standards regarding scale of development. There are no restrictions on scale of development outside of Floor Area Ratios and Height Limits under the C-2 zoning. Under the proposed zoning Conditional Use permission is required for all development on lots of 5000 square feet & over and for all non-residential development with a use size of 2500-4000 square feet. New uses over 4,000 square feet and expansion of existing uses over 4,000 square feet are prohibited.

SEC. 729.  
WEST PORTAL AVENUE NEIGHBORHOOD COMMERCIAL DISTRICT  
ZONING CONTROL TABLE

TABLE 45

SEC. 729. West Portal Avenue Controls			
No.	Zoning Category	§ References	Controls
<b>BUILDING STANDARDS</b>			
.10	Height and Bulk	§§ 102.11, 105, 106, 250-252, 260, 270, 271	26-X
.11	Lot Size [Per Development]	§§ 790.56, 121.1	P up to 4999 sq.ft., C 5000 sq.ft. & above § 121.1
.12	Rear Yard	§§ 130, 134, 136	Required at grade level and above § 134(a)(e)
.13	Street Frontage		Required § 145.1
.14	Awning	§ 790.20	P § 136.1(a)
.15	Canopy	§ 790.26	P § 136.1(b)
.16	Marquee	§ 790.58	P § 136.1(c)
.17	Street Trees		Required § 143

**COMMERCIAL AND INSTITUTIONAL STANDARDS AND USES**

.20	Floor Area Ratio	§§ 102.8, 102.10, 123	1.5 to 1 § 124(a)(b)
.21	Use Size [Non-Residential]	§ 790.130	P up to 2499 sq.ft., C 2500 to 3999 sq.ft., NP 4000 sq.ft. & above § 121.2
.22	Off-Street Parking, Commercial and Institutional	§§ 150, 153-157, 159-160, 204.5	Generally, none required if occupied floor area is less than 5000 sq.ft. §§ 151, 161(g)
.23	Off-Street Freight Loading	§§ 150, 153-155, 204.5	Generally, none required if gross floor area is less than 10,000 sq.ft. §§ 152, 161(b)
.24	Outdoor Activity Area	§ 790.70	P in front; C elsewhere § 145.2(a)
.25	Drive-Up Facility	§ 790.30	
.26	Walk-Up Facility	§ 790.140	P if recessed 3 ft.; C otherwise § 145.2(b)
.27	Hours of Operation	§ 790.48	P: 6 a.m. - 2 a.m.
.30	General Advertising Sign	§§ 262, 602-604, 608.1-10, 609	
.31	Business Sign	§§ 262, 602-604, 608.1-10, 609	P § 607.1(f)2
.32	Other Signs	§§ 262, 602-604, 608.1, 608.2	P § 607.1(c)(d)(g)

SEC. 729. West Portal Avenue Controls by Story			
No.	Zoning Category	§ References	1st 2nd 3rd +

.57	Automotive Gas Station	§ 790.14			
.58	Automotive Service Station	§ 790.17	C		
.59	Automotive Repair	§ 790.15			
.60	Automotive Wash	§ 790.18			
.61	Automobile Sale or Rental	§ 790.12			
.62	Animal Hospital	§ 790.6	C		
.63	Ambulance Service	§ 790.2			
.64	Mortuary	§ 790.62			
.65	Trade Shop	§ 790.124	P		
.66	Storage	§ 790.117			

**Institutions and Non-Retail Sales and Services**

.70	Administrative Service	§ 790.106			
.80	Hospital or Medical Center	§ 790.44			
.81	Other Institutions	§ 790.50	C	C	
.82	Public Use	§ 790.80	C	C	

**RESIDENTIAL STANDARDS AND USES**

.90	Residential Use	§ 790.88	P	P	
.91	Residential Density, Dwelling Units	§§ 207, 207.1, 790.88(a)	Generally, 1 unit per 800 sq.ft. lot area § 207.4		
.92	Residential Density, Group Housing	§§ 207.1, 790.88(b)	Generally, 1 bedroom per 275 sq.ft. lot area § 208		
.93	Usable Open Space [Per Residential Unit]	§§ 135, 136	Generally, either 100 sq.ft. if private, or 133 sq.ft. if common § 135(d)		
.94	Off-Street Parking, Residential	§§ 150, 153-157, 159-160, 204.5	Generally, 1 space per unit §§ 151, 161(a)(g)		
.95	Community Residential Parking	§ 790.10	C	C	

			Controls by Story		
			1st	2nd	3rd +
		\$ 790.118			
.38	Residential Conversion	\$ 790.84	P		
.39	Residential Demolition	\$ 790.86	C	C	C

**Retail Sales and Services**

.40	Other Retail Sales and Services [Not Listed Below]	§ 790.102	P	P	
.41	Bar	§ 790.22	C		
.42	Full-Service Restaurant	§ 790.92	C		
.43	Small Fast Food Restaurant	§ 790.90			
.44	Large Fast Food Restaurant	§ 790.91			
.45	Take-Out Food	§ 790.122	C		
.46	Movie Theater	§ 790.64			
.47	Adult Entertainment	§ 790.36			
.48	Other Entertainment	§ 790.38			
.49	Financial Service	§ 790.110			
.50	Limited Financial Service	§ 790.112	C		
.51	Medical Service	§ 790.114	C	P	
.52	Personal Service	§ 790.116	P	P	
.53	Business or Professional Service	§ 790.108	C	P	
.54	Massage Establishment	§ 790.60 § 2700 Police Code			
.55	Tourist Hotel	§ 790.46			
.56	Automobile Parking	§§ 790.8, 156, 160			

The proposed zoning is more restrictive in rear yard requirements. It requires rear yard setbacks at grade level and above, while the existing zoning requires rear yard setbacks at residential levels only.

### Restrictions on Type of Use and Use by Story

The proposed zoning for West Portal Avenue is more restrictive than the existing C-2 zoning in types of use and use by story. New bars, full service restaurants, fast food restaurants, take-out food outlets, financial services, and adult entertainment, which are permitted by right as a Principal Use on all floors under C-2 zoning, are either prohibited or require Conditional Use authorization at the ground story under the proposed zoning. Limited financial services under the proposed zoning require Conditional Use authorization at the ground story and are prohibited at the second story and above. The only second story non-residential uses that are permitted as a right under the proposed zoning are general retail and offices, provided that no housing is displaced and that floor area ratio, height limit, and other requirements are met. In an effort to encourage second story locations for medical offices and professional office, Conditional Use permission is required for them to locate at the ground floor. New construction, both residential and non-residential is prohibited above the third story by the proposed zoning.

### Differences in Housing Controls

The proposed controls are more restrictive on housing demolitions and conversions. Conditional Use permission is required for housing demolition on all floors. Housing conversion are permitted by right at the ground floor and prohibited above. No such restrictions exist under the C-2 zoning. Housing density standards are the same under both zonings; both allow 1 unit per 800 square feet for housing development.

### Other Requirements

In addition, the proposed zoning has some restrictions which do not exist under the current zoning. These include controls on commercial hours of operation and commercial walk-up facilities.

### Physical Development Estimates

Physical development estimates for the West Portal district are shown in Table 46. The estimates indicate that the proposed zoning could curtail potential growth in all commercial sectors in the West Portal Avenue district compared to the existing C-2 zoning. Most of this curtailment would take place in the office sector. Individual use size limits would prohibit expansion of any business to more than 4,000 square feet. Differences in potential development in the eating and drinking and retail sectors are more modest, with 8% less development under the proposed controls in each sector. The existing controls could result in a loss of three dwelling units, while the proposed controls would permit neither an expansion nor a reduction in the number of units.



TABLE 46  
ESTIMATES OF 10-YEAR DEVELOPMENT POTENTIAL, WEST PORTAL AVENUE NEIGHBORHOOD COMMERCIAL DISTRICT

*[All Figures are in Gross Square Feet Except Residential Units (Shown in Parentheses)]*

	<u>- 1 -</u> <u>Eating/</u> <u>Drinking</u>	<u>- 2 -</u> <u>Retail</u>	<u>- 3 -</u> <u>Office</u>	<u>- 4 -</u> <u>Total</u> <u>1-3</u>	<u>- 5 -</u> <u>Other</u> <sup>1</sup>	<u>- 6 -</u> <u>Vacant</u> <sup>2</sup>	<u>- 7 -</u> <u>Total Non-</u> <u>Residential</u>	<u>- 8 -</u> <u>Residential</u> <u>Sq.Ft. (Units)</u>	<u>- 9 -</u> <u>Total</u> <u>Sq.Ft.</u>
<b>Existing Land Use:</b>	42,100	177,400	72,500	292,000	70,800	0	362,800	107,100 (76)	469,900
<b>Under Existing Zoning:</b>									
New Construction <sup>3</sup>	+1,700	+11,200	+24,400	+37,300	-15,200	0	+22,100	0 (0)	+22,100
Conversions of Use	+800	+5,300	+2,400	+8,500	0	0	+8,500	-2,400 (-3)	+6,100
<b>Total Change</b>	<b>+2,500</b>	<b>+16,500</b>	<b>+26,800</b>	<b>+45,800</b>	<b>-15,200</b>	<b>0</b>	<b>+30,600</b>	<b>-2,400 (-3)</b>	<b>+28,200</b>
Potential Land Use	44,600	193,900	99,300	337,800	55,600	0	393,400	104,700 (73)	498,100
% Change-Land Use	+6%	+9%	+37%	+16%	-21%	0%	+8%	-2% -4%	+6%
<b>Under Proposed Zoning:</b>									
New Construction <sup>3</sup>	+1,500	+9,900	+13,000	+24,400	-15,200	0	+9,200	0 (0)	+9,200
Conversions of Use	+800	+5,300	0	+6,100	0	0	+6,100	0 (0)	+6,100
<b>Total Change</b>	<b>+2,300</b>	<b>+15,200</b>	<b>+13,000</b>	<b>+30,500</b>	<b>-15,200</b>	<b>0</b>	<b>+15,300</b>	<b>0 (0)</b>	<b>+15,300</b>
Potential Land Use	44,400	192,600	85,500	322,500	55,600	0	378,100	0 (0)	485,200
% Change-Land Use	+5%	+9%	+18%	+10%	-21%	0%	+4%	0% 0%	+3%

**NOTES:** <sup>1</sup> Other = Non-Intensive Retail such as Paved Parking Lots, Non-Accessory Storage, etc.; Auto Garages and Service Stations; and Institutional Uses such as Churches, Schools, and Hospitals.

<sup>2</sup> Vacant = Vacant Lots and Vacant Commercial Spaces.

<sup>3</sup> New Construction = Construction and Demolition.

Square footage totals in rows and columns do not balance due to changes in building envelopes on lots, area taken up by rounding, and other factors.

All land use estimates are approximate.

## ASSESSMENT OF POTENTIAL ECONOMIC IMPACTS

### Economic Implications of Physical Development Differences

The proposed controls for West Portal Avenue are more restrictive than those for other neighborhood commercial districts. The controls will limit growth in all commercial sectors. By lowering the height limits for West Portal to 26 feet and lowering the floor area ratio to 1.5 to 1, the proposed controls place an absolute ceiling on the aggregate amount of potentially developable commercial space, regardless of use.

The physical development estimates indicate only a slight effect on eating and drinking and general retail development and therefore only a minimal economic effect on these uses.

The estimates indicate a stronger effect in the office sector and therefore the possibility of rent pressure for such uses. However, limited demand for office space has been manifested in the recent past, and no evidence exists to suggest a strong increase in the future.

Thus, the competition for space and consequent rent pressures may not be as strong as the overall rate of curtailment under the proposed controls shown in Table 45 might suggest.

### Economic Implications of Community Observations

Evidence from interviews reveals that the cost of commercial space may be increasing in the West Portal district. However, the volume of business on the street also may be increasing as the West Portal Avenue market has expanded and diversified. While residents from the immediately surrounding neighborhoods form the base of West Portal's market, the district also attracts patrons from the entire southwestern section of the city. An established merchant says that half of his patrons come from this larger market area. A new merchant pinpoints certain institutions in the larger market area, e.g. San Francisco State University and a Christian Science retreat center, as important sources of her patronage. The remodeling of the MUNI station at the foot of the West Portal commercial district is perceived to have improved access to the district from outside areas.

Another factor behind the increased retail activity on West Portal Avenue is the renovation of Stonestown Shopping Center, which is located approximately one-half mile southwest of West Portal Avenue. Smaller stores on the mall have been closed for some time in anticipation of the construction work. Once the construction has been completed, Stonestown will be expanded by 234,000 square feet (approximately 80% of the commercial square footage in the West Portal Avenue district) to a total of over one million square feet of retail space. This renovation and expansion may reverse the recent increase in demand on West Portal Avenue. If so, the new controls are likely to have minimal impact on business conditions there.



Information on rent increases is mixed. On the one hand, data from a 1985 survey of commercial rents in West Portal, shows that 50% of these rents are quite low, less than \$1 a square foot. At the same time, interviewees cite specific examples of dramatic rent increases. One mentions a commercial space of 1700 square feet where rent has gone up from \$300 to \$1300 in the last 13 years and another smaller space where monthly rent has gone up from \$600 to \$2000 in the past five years. The value of his building has similarly increased from \$200,000 in 1975 to \$600,000 today. Another interviewee says that when his lease was renewed, his landlord quickly sought to triple his rent from approximately \$1 a square foot to approximately \$3 a square foot.

These examples suggest that while there are significant cases of dramatic rent increase on West Portal Avenue, the increases are starting from a low base, where a given tenant's rent level may have been well below market. These increases in rent also are consistent with the growth in the market area of the West Portal commercial district over the past decade. The current norm toward which asking rents appear to be moving in the district, about \$2 to \$2.50 a square foot, is in the range of what would be considered a fair market price by most interviewees. The question is whether the proposed controls would push average rents above this level.

First, the expansion at Stonestown is likely to draw some customers away from West Portal Avenue. Some businesses also may relocate to the newly renovated shopping center. These shifts should help to stabilize rents on the avenue. Second, whatever rent pressures may build up in the West Portal district as a result of zoning changes, must be weighed against the value which surrounding residents and many merchants attach to protecting the family and neighborhood orientation of the West Portal shopping area. Despite the increase in retail activity over recent years, West Portal has maintained this family orientation. Outside of one movie theater, the avenue has no entertainment uses and virtually all of its restaurants are family-oriented. The proposed zoning should help to protect the district's family orientation. Both residents and most merchants appear willing to bear the economic costs associated with potential rent pressures which the proposed zoning could generate in order to preserve the neighborhood character the avenue.

## ASSESSMENT

The above analysis of the West Portal Avenue Neighborhood Commercial District supports the following conclusions:

- The proposed controls could exert some inflationary pressures on the West Portal Avenue economy. By lowering the height limit and floor area ratio and restricting commercial uses by type and story, the proposed controls would limit growth potential on West Portal Avenue, and thereby have a tendency to increase rents.
- Community and business interests believe the economic costs associated with potential inflationary pressures should be weighed against the social



values that the proposed controls would protect, namely, maintaining a family orientation to commercial activity in West Portal, in keeping with the surrounding single-family residential neighborhoods.

- The Stonestown Shopping Center renovation and expansion may have a greater long-term effect on business activity on West Portal Avenue than the proposed zoning controls.

# APPENDIX

District: \_\_\_\_\_

Date of Interview \_\_\_\_\_  
Interviewer \_\_\_\_\_

## REALTOR'S QUESTIONNAIRE

Name of Realtor: \_\_\_\_\_  
Name of Realty Firm: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

1. In what commercial areas have you done business? For how long?
2. Do you principally handle commercial real estate?
3. Please estimate the current asking rents per square foot in this district for:
  - a. a retail storefront at the ground floor of an existing building; having an average 25 feet frontage; having more than 4,000 square feet in building area:
  - b. such spaces in a new building:
4. Please estimate the same rents as of 2 years ago (1983) as of 5 years ago (1980):
5. What are the principal factors which have affected the average rent levels, e.g. inflation, increased popularity of district, changing population in surrounding neighborhoods, etc.?
6. Have you observed a large turnover in businesses in this district? What types have left? What types have moved in? Why?
7. What do you estimate the vacancy rate for commercial space to be in this district? Has it changed significantly over the last 2-5 years? Do you expect the current vacancy rate to increase, decrease, or stay the same?
8. Have you participated in/or observed negotiations for a typical rental lease agreement for business in this district? If so, what are the typical terms and conditions differ from 5 years ago? If so, how?
9. Have any of your clients seeking to locate in this district been unable to find a suitable location? Why? What types of business did they operate? Did they find suitable location elsewhere? In what districts?
10. Are you aware of any special zoning laws regulating this district in recent years? Do you think they have had an effect on business in this district? What kinds of effects?

District: \_\_\_\_\_

Date of Interview \_\_\_\_\_  
Interviewer \_\_\_\_\_

### MERCHANTS QUESTIONNAIRE

Name of Merchant: \_\_\_\_\_  
Name of Business: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

1. When did you move into this area? Did you buy an existing business or open your own business? Why did you locate this district?
2. Do you rent or own the building in which you operate your business?
3. How old is the building in which you are located? At what floor are you located? How many square feet does your business occupy?
4. What type of business do you operate: retail, restaurant, office, other?
5. What is your current rent? Do you have a lease? What are the terms in time, for increases, etc? What expenses do you pay? What expenses does your landlord pay? Is your rent reasonable?
6. What market do you serve? How many customers are from the immediate area? How many are tourists?
7. What changes in the district have you observed over the last 5 years? How many and what types have come in? How many and what types have left? Are there more "chain" stores? Are there more night-time uses? What events are behind these changes?
8. In the last 5 years, has the district's business environment improved, gotten worse, or stayed the same? Why?
9. Are you aware of any special zoning laws regulating your district in recent years? Do you think they have had an effect?
10. What are your principal problems affecting your business sales and volume?

### ADDENDUM QUESTIONS FOR MERCHANT ASSOCIATION LEADERS

11. How long have you been active in the merchants association for this district? Why did you join?
12. How does your merchants association relate to other associations, e.g. residential, in this district? Do you cooperate on specific events?
13. What do you consider to be the major accomplishments of your merchants association?



District: \_\_\_\_\_

Date of Interview: \_\_\_\_\_  
Interviewer: \_\_\_\_\_

### FRANCHISE MERCHANTS QUESTIONNAIRE

Name of Merchant: \_\_\_\_\_  
Name of Business: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

1. When did you begin business in the City? How many stores/outlets do you currently have? How do you go about selecting a location? Are formal market analyses used? Which of your locations is most profitable?
2. What type of business do you operate: eating and drinking, retail, etc?
3. How many square feet does your business occupy? Do you rent or own your space? If you rent, how much rent do you pay and what are the terms of your lease? Please elaborate on how these terms affect the financing of improvements? Do you consider your rent reasonable?
4. How would you characterize the market your business serves? To what extent does it serve tourists, neighborhood residents, etc? Do you employ local residents?
- 4a. In your view, does the San Francisco market pose any special issues for 'franchise' businesses?
5. What advantages do you see your business providing to customers and the neighborhood relative to an independently-operated business? What disadvantages?
6. What do you see as the most important technological and merchandising trends affecting your business over the next 5 years? How do you see these trends affecting the independently-operated neighborhood business?
7. What changes in the neighborhood district(s) have you observed over the past 2-5 years? What kinds of businesses have left, come in? Has the neighborhood business environment improved, gotten worse, or stayed the same? Why?

District: \_\_\_\_\_

Date of Interview \_\_\_\_\_  
Interviewer \_\_\_\_\_

### COMMERCIAL PROPERTY OWNER'S QUESTIONNAIRE

Name of Property Owner: \_\_\_\_\_  
Name of Business: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_

- 1) How long have you owned commercial real estate in San Francisco? How much and what kind? Is most of it located in this district?
- 2) How long do you tend to hold onto a commercial building after purchasing it? Does most of your business come from renting out commercial space or from buying and selling commercial property?
- 3) Using one or more examples from the commercial buildings you own, what is the average rent you charge on a per square foot basis for the following types of commercial space: a ground floor space with a 25 foot frontage, an upper story space with a similar frontage, a large ground floor space of 4000 square feet or more?
- 4) By how much have you increased your rents in the past 2 years? In the past 5 years?
- 5) What is the standard type of lease that you enter into with your tenants? What are the standard terms of these leases for: length of lease, annual rent increases, responsibility for utility expenses, responsibility for improvements, etc?
- 6) Have the standard terms of your leases changed in the past 2 years? In the past 5 years? If so, in what ways?
- 7) What rent level would you estimate is minimal for a commercial property owner to remain solvent in this district? How do you arrive at this estimate?
- 8) In the past 5 years has the ability to earn a profit from renting out commercial space in this district become more difficult, less difficult, or stayed the same? What factors would you say are behind this trend, e.g. national factors such as interest rates, local factors such as changing income levels of surrounding residential neighborhoods, etc?
- 9) What type of commercial space do you consider to offer the highest rate of return in this district - eating and drinking, retail, or office? What type offers the lowest?

- 10) If a moratorium were placed on the type of commercial use offering the highest rate of return, would that tend to reduce the amount of rent that you as a commercial property owner could ask for?
- 11) What kind of commercial space do you see offering the greatest potential for return in this district over the next 5 years?



District: \_\_\_\_\_

Date of Interview \_\_\_\_\_  
Interviewer \_\_\_\_\_

### RESIDENTS QUESTIONNAIRE

Name of Resident: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

- 1) How long have you been living in this residential neighborhood? Are you a homeowner or a renter? Do you have children?
- 2) How would you describe your neighborhood? Are most of your neighbors homeowners, renters, families with children, singles, etc.?
- 3) Where do you do most of your shopping? Do you patronize the nearby Neighborhood Commercial District? If so, how often and for what kinds of purchases? If not, why?
- 4) What changes have you noticed in your nearby Neighborhood Commercial District over recent years? Have you noticed more of certain kinds of businesses moving in? Moving out? What do you think are behind these changes?
- 5) Has the quality of living in your neighborhood been impacted by the nearby Neighborhood Commercial District in recent years? If so, in what ways? Be specific.
- 6) Has the nearby Neighborhood Commercial District had any impact on property values in your neighborhood? If so, has it been a positive or negative impact? How much has the value of your home improved over the last 2 years? 5 years? ... Since you've been living here?
- 7) Do you belong to a neighborhood organization? If so, do any merchants from the nearby Neighborhood Commercial District form part of the membership? Do any serve as officers? Do residents and merchants in the area cooperate on specific events, e.g. street fairs?
- 8) Are you aware of any special zoning laws for controlling commercial growth in your nearby Neighborhood Commercial District? Do you think these laws are effective?

# CREDITS

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